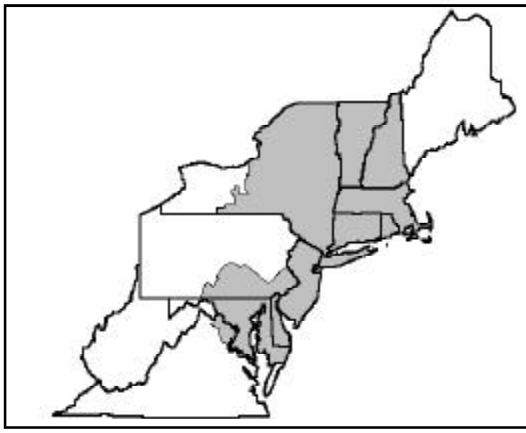


The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2003 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

January Pool Price Calculation

The January 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.19 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 $2.41 per hundredweight.

The January statistical uniform price was 5 cents per hundredweight below December's price and the January PPD was 9 cents below the previous month's. Prices for milk used in Classes I and III increased, while the prices for Classes II and IV declined. The producer protein price increased nearly 7 cents per pound; the butterfat price decreased slightly.❖

Producers Approve Amendments Revising Class III and IV Price Formulas

Producers supplying milk for each of the 11 federal milk markets have approved amendments to the current Class III and IV federal milk order pricing formulas. USDA determined producer approval by polling the producer cooperative associations in nine of the markets and conducting referenda in the Northeast and Mideast markets. The amended orders will become effective for milk marketed on or after **April 1, 2003**.

Congress mandated that USDA review the pricing formulas following the reform effort under the 1996 Farm Bill. A public hearing was held May 8–12, 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 to alter the pricing formulas. A final decision altering the formulas was issued October 25, 2002, and printed in the *Federal Register* November 7, 2002.

The estimated impacts indicate that the formula changes would increase component prices for protein and reduce the prices for butterfat and nonfat solids. The results are higher Class III prices and lower Class I, Class II, and Class IV prices. The estimated impact of the annual

(continued on Page 3)

Pool Summary

- A total of 16,376 producers were pooled under the Order with an average daily delivery per producer of 4,054 pounds.
- Pooled milk receipts totaled 2.058 billion pounds, a decrease of 1.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.3 percent of total milk receipts, an increase of 0.7 percentage points from December.
- The average butterfat test of producer receipts was 3.80 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.3	932,007,966
Class II	16.9	348,725,202
Class III	28.4	584,415,569
Class IV	9.4	193,018,308
Total Pooled Milk		2,058,167,045

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	1.8164	1.9660
Butterfat Price	1.1856	1.4846
Other Solids Price	0.0339	0.1392

Class Price Factors

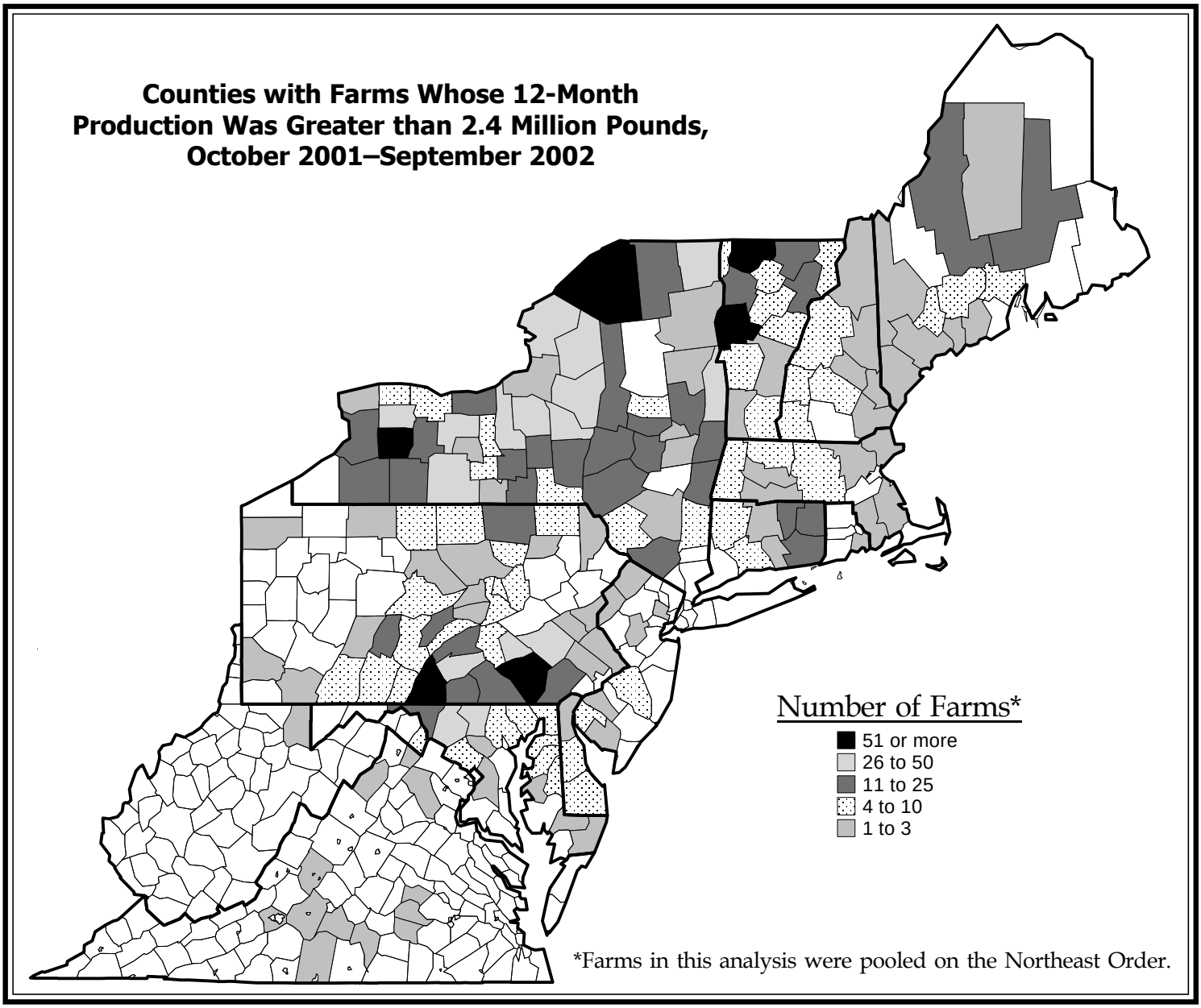
	2003	2002
	$/cwt	
Class I	13.81	15.21
Class II	11.29	12.69
Class III	9.78	11.87
Class IV	10.07	11.93

Larger Farms Impacted by MILC Cap

Farmers have been receiving Milk Income Loss Contract Program (MILC) payments since October 15, 2001.

The program places a 2.4 million pound annual cap on production eligible for MILC payments. For the 12-month period October 1, 2001, through September 30, 2002, our analysis indicates that there were 2,083 producers who produced more than 2.4 million pounds that, theoretically, will be impacted by this cap over the course of the program. New York was home to 897 of these farms, followed by Pennsylvania with 517, Vermont with 260, and Maryland with 140. Franklin County, PA, led all counties in the Northeast Order with 96 farms pooling more than 2.4 million pounds in 2002. Franklin County, VT, ranked second with 79; Addison County, VT, and Lancaster County, PA, followed with 73 each. The attached map shows the location by county of these farms in the Northeast Order. There were 35 farms from outside the traditional Northeast milkshed that pooled more than 2.4 million pounds on the Northeast Order in 2002. These farms were in Idaho, Michigan, Minnesota, Nevada, Utah, and Wisconsin.

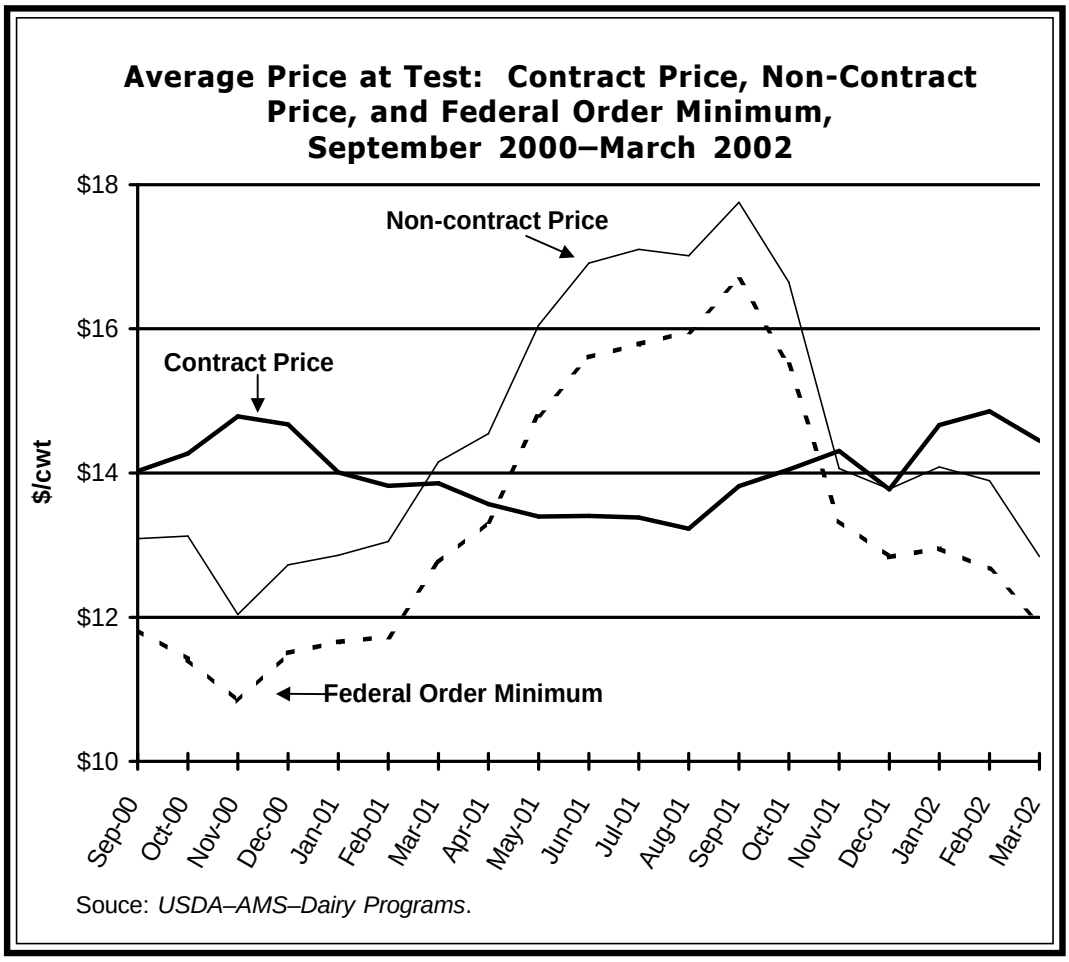
MILC payments occur in months when the price of Class I milk in Suffolk County, Massachusetts (Boston), under the Northeast Milk Marketing Order, falls below $16.94 per hundredweight. Payment rates will be 45 percent of the difference between $16.94 and the Boston Class I price for that month. Dairy 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.❖



MARKET SITUATION

Dairy Programs Releases Forward Contract Study

USDA's Agricultural Marketing Services' Dairy Programs has recently released a study of the Dairy Forward Pricing Pilot Program and its effect on milk prices paid to producers. 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 program-eligible milk that is under forward contract.



Souce: *USDA–AMS–Dairy Programs*.

For the period September 2000 through March 2002, the study calculated milk prices received by producers under fixed forward contracts versus what they would have received if they had *not* opted for a fixed-contract price. The average monthly price received for contract milk was $14.02, ranging from a low of $13.23 to a high of $14.86. The average monthly price of the same milk, had it not been under contract, was $14.51, ranging from a low of $12.04 to a high of $17.75 (see chart). Over the study period, the volume of milk marketed under contract was greatest in months when contract prices were below non-contract prices. Significantly, the study found that the price volatility of producers under contract was much less during this time than producers receiving the more varied federal order prices.

Participation in the program has been small when considered in terms of the number of producers, number of handlers, or milk quantities eligible on a nationwide basis. On a monthly average basis, 3.9 percent of eligible producers and 5.7 percent of proprietary manufacturing plants participated. Participation by producers peaked in April 2001 with 1,141 producers participating nationwide, but dropped off sharply in 2002, reaching a low point of 137 producers in February 2002.

In a survey mailed to eligible producers, respondents indicated that participating producers were generally more accustomed to using price protection tools than were non-participants. Nearly three-fourths of participants indicated that they contracted in order to assure a more stable cash flow. Participants were more likely to have more than one potential buyer than non-participants, and they were much more aware of handler contract offerings than non-participants. Most participants relied on futures markets or their own forecasts to evaluate contract prices. Most participants whose contract prices were below actual non-contract prices indicated that they would discontinue forward contracting or reduce contract volumes in the future. The completed report can be accessed on the web at http://www.ams.usda.gov/dairy/For_Contr/report_complete.pdf.❖

Producers Approve (continued from page 1)

average change for producers pooled on the Northeast Marketing Order is a 3-cents per hundredweight increase in the minimum blend price.

The final rule and additional background information can be accessed on the web at http://www.ams.usda.gov/dairy/hearing-III_IV.htm.❖

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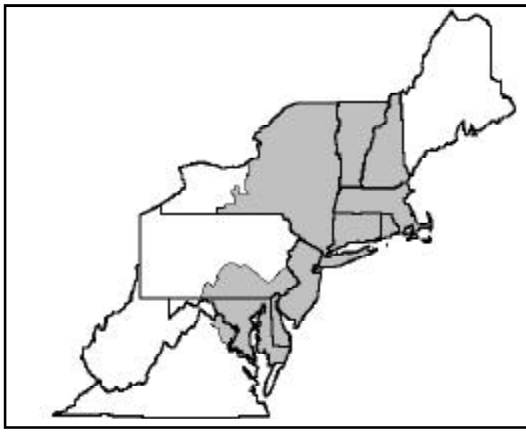
Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	912,973,188	$9.92	90,566,940.25	
Butterfat	19,034,778	1.2109	23,049,212.68	
Less: Location Adjustment to Handlers			(2,760,850.56)	$110,855,302.40
Class II— Butterfat	25,769,505	1.1926	30,732,711.71	
Nonfat Solids	29,352,920	0.8189	24,037,106.19	54,769,817.90
Class III— Butterfat	20,614,885	1.1856	24,441,007.69	
Protein	17,725,503	1.8164	32,196,603.62	
Other Solids	33,328,439	0.0339	1,129,834.08	57,767,445.39
Class IV— Butterfat	12,855,657	1.1856	15,241,666.93	
Nonfat Solids	16,424,509	0.6807	11,180,163.26	26,421,830.19
Total Classified Value				**$249,814,395.88**
Add: Overage—All Classes				21,423.19
Inventory Reclassification—All Classes				17,262.18
Other Source Receipts	458,817			14,626.67
Less: Producer Component Valuations				(210,251,566.71)
Subtotal				**$39,616,141.21**
Add: Location Adjustment to Producers				9,693,587.14
One-half Unobligated Balance—Producer Settlement Fund				1,145,340.43
Total Pool Milk & Aggregate Value	2,058,625,862			50,455,068.78
Less: Producer Settlement Fund—Reserve				(842,185.49)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$2.41**		49,612,883.29
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$12.19**		

* 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 2003 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

February Pool Price Calculation

The February 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $11.79 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. This was the lowest SUP reported since order reform took effect in January 2000. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The February producer price differential (PPD) at Suffolk County was $2.13 per hundredweight.

The February statistical uniform price was 40 cents per hundredweight below January's price and the February PPD was 28 cents below the previous month's. All class prices declined from last month. The producer protein price increased nearly 4 cents per pound while the butterfat price decreased nearly 5 cents per pound. The February protein test (3.04 percent) was the highest recorded for February since the Order's inception.❖

U.S. Milk Production Strong During 2002

After declining 1.0 percent in 2001, total milk production in the United States grew 2.6 percent during 2002. Production was strong beginning in the first quarter of 2002 with a 2.7 percent gain. The second and third quarters were even stronger with increases of 3.0 percent each. Production growth weakened a little in the last quarter of 2002, but still posted a 1.5 percent gain over 2001. The accompanying map on page 2 shows percentage changes in milk production by state from 2001 to 2002.

Twenty states posted milk production declines in 2002. Of these, the largest drop was in South Dakota (11.1 percent). Of the gainers, five states had double-digit percent increases: Kansas (24.8), Alaska (23.1), Oregon (21.9), New Mexico (13.6), and Arizona (11.6). Colorado was a close runner-up with a 9.6 percent increase in 2002. Even though Alaska posted a significant gain in 2002, its increase is based on the state's total milk production (17.7 million pounds) and won't likely cause any advancement from its position at number fifty.

As reported by the National Agricultural Statistics Service, the top *twenty* milk-producing states' combined production increased 2.5 percent in 2002. Their total annual production accounted for 86.4 percent of the total amount of milk produced in the United States. *(continued on Page 2)*

Pool Summary

- A total of 16,306 producers were pooled under the Order with an average daily delivery per producer of 4,164 pounds.
- Pooled milk receipts totaled 1.901 billion pounds, an increase of 2.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.8 percent of total milk receipts, a decrease of 0.5 percentage points from January.
- The average butterfat test of producer receipts was 3.80 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.8	851,106,677
Class II	17.3	329,885,297
Class III	28.2	535,707,308
Class IV	9.7	184,634,403
Total Pooled Milk		1,901,333,685

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	1.8538	2.0884
Butterfat Price	1.1373	1.3817
Other Solids Price	0.0240	0.0965

Class Price Factors

	2003	2002
	$/cwt	
Class I	13.48	15.20
Class II	10.66	12.28
Class III	9.66	11.63
Class IV	9.81	11.54

U.S. Milk Production (continued from Pg. 1)

Based on data for 2002, the top *twenty* should now include Colorado, Kansas, and Oregon—displacing Kentucky, Missouri, and Virginia.

The top *ten* milk-producing states have not changed since 2001, although there has been some change in rank within the group as New Mexico continues to raise its position (see accompanying table). During 2003, Idaho—which had double-digit increases annually from 1998–2000 and a 7.4 percent increase in 2001—will likely surpass Minnesota—which has had nearly flat or declining production in the past 5 years. This will move Idaho into the number five position. Combined production for the top *ten* states increased 2.6 percent in 2002, same as the national average. These states' total production accounted for 70.5 percent of national milk production in 2001 and 2002.

In the Northeast, the thirteen states that are regular contributors to the Northeast Milk Marketing Order had a combined increase of 1.4 percent during 2002. The three top producing states—New York, Pennsylvania, and Vermont—accounted for nearly 82 percent of the Northeast total and had a combined 1.4 percent increase from 2001 even though Pennsylvania's production was down from the previous year. The only other Northeastern states reporting decreases were Connecticut, Rhode Island, and West Virginia.

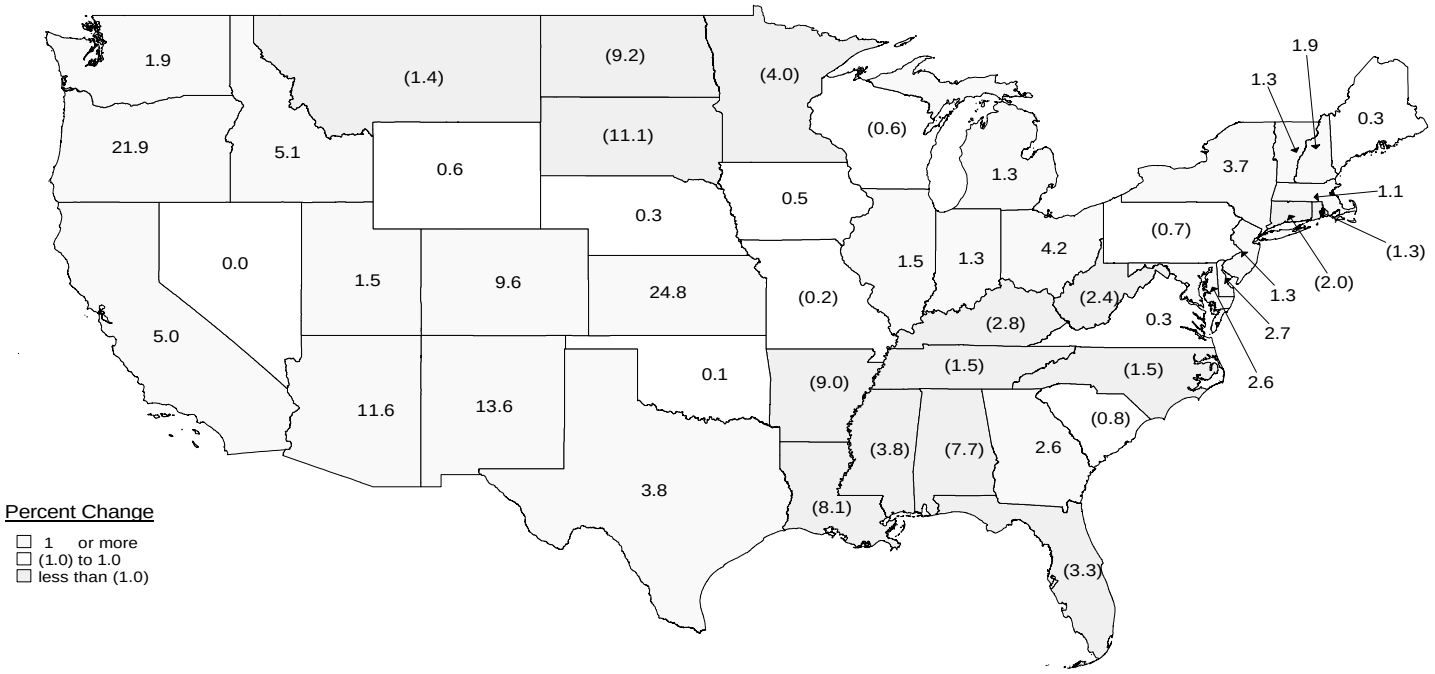
Nationally, Arizona had the highest milk production per cow with 23,486 pounds in 2002. In 2001, Washington State reported the highest milk per cow with 22,324 pounds. During both years, Louisiana was at the bottom of the list with 11,704 pounds in 2001 and 11,620 pounds in 2002. Closer to home, Pennsylvania reported milk per cow of 18,419 pounds; New York had 18,019 pounds; and Vermont showed 17,552 pounds. The U.S. average was 18,571 pounds during 2002.❖

Top Ten States Ranked by Milk Production, 2002

Rank	State	2001	2002	Percent Change
		million pounds		
1	California	33,217	34,884	5.0
2	Wisconsin	22,199	22,074	-0.6
3	New York	11,780	12,217	3.7
4	Pennsylvania	10,849	10,775	-0.7
5	Minnesota	8,812	8,458	-4.0
6	Idaho	7,757	8,155	5.1
7	New Mexico	5,561	6,316	13.6
8	Michigan	5,870	5,945	1.3
9	Washington	5,514	5,620	1.9
10	Texas	5,106	5,300	3.8
	Top Ten Total	116,665	119,744	2.6
	US Total	165,497	169,758	2.6

Source: National Agricultural Statistics Service, *Milk Production*

Percent Change in U.S. Milk Production, 2001–2002



Source: National Agricultural Statistics Service, *Milk Production*
Not shown: Alaska 23.1 percent; Hawaii (8.5) percent

MARKET SITUATION

Estimated MILC Payments

With the uniform milk price remaining at low levels, MILC payments are helping boost the total paid to producers for their milk. The Milk Income Loss Contract (MILC) Program monthly payment has averaged $1.52 per hundredweight from October 2002 through March 2003. The Class I price has been below the $16.94 trigger price for each month. Class I prices are projected for April to September 2003 based on Chicago Mercantile Exchange Class III and Class IV futures prices. Using these prices, the Class I price is projected to remain below $16.94 at least through September 2003. The accompanying table shows actual and projected Class I milk prices and the resulting MILC payment. Payment rates are 45 percent of the difference between $16.94 and the Boston Class I price for that month. Payments are issued up to a maximum of 2.4 million pounds of milk produced and marketed by the operation per fiscal year.

A program calculator that estimates the upcoming month's MILC payments is provided at www.fmmone.com. More information on the MILC program is available from local FSA offices or on FSA's Web site at: http://www.fsa.usda.gov/dafp/psd/MILC.htm.❖

Actual and Estimated MILC Payments

Month	Class I Price	MILC Payment
Oct-02	$13.40	$1.59
Nov-02	$13.85	$1.39
Dec-02	$13.77	$1.43
Jan-03	$13.81	$1.41
Feb-03	$13.48	$1.56
Mar-03	$13.06	$1.75
Apr-03	*$13.31*	*$1.63*
May-03	*$13.54*	*$1.53*
Jun-03	*$13.61*	*$1.50*
Jul-03	*$13.82*	*$1.40*
Aug-03	*$14.11*	*$1.27*
Sep-03	*$14.61*	*$1.05*

Note: Apr.-Sep. figures are estimates based on 3/11/03 CME settlement prices for Class III and Class IV milk.

Pool Summary for All Federal Orders, 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**	**24,557,234,820**	**25,358,427,196**	**3.3**	**2.57**	**2.22**	**15.67**	**12.64**
5	Appalachian	6,673,304,698	6,706,404,276	0.5	N/A	N/A	16.34	13.24
6	Florida	2,771,832,961	2,692,574,453	-2.9	N/A	N/A	17.82	14.60
7	Southeast	7,769,334,411	7,926,579,840	2.0	N/A	N/A	16.13	13.02
30	Upper Midwest	20,062,276,030	20,306,563,579	1.2	0.64	0.55	13.74	10.96
32	Central	17,835,818,754	18,699,837,676	4.8	1.06	0.84	14.16	11.26
33	Mideast	17,228,645,656	17,739,315,705	3.0	1.42	1.15	14.52	11.57
124	Pacific Northwest	7,087,614,034	7,823,715,763	10.4	1.16	0.83	14.26	11.25
126	Southwest	8,603,585,081	9,713,777,143	12.9	2.36	1.97	15.47	12.38
131	Arizona-Las Vegas	2,956,124,701	3,026,555,777	2.4	N/A	N/A	14.49	11.49
135	Western	4,476,934,536	5,552,476,195	24.0	0.90	0.68	14.00	11.12
	All Market Total/Average	120,022,705,682	125,546,227,603	4.6	1.45	1.18	15.14	12.14

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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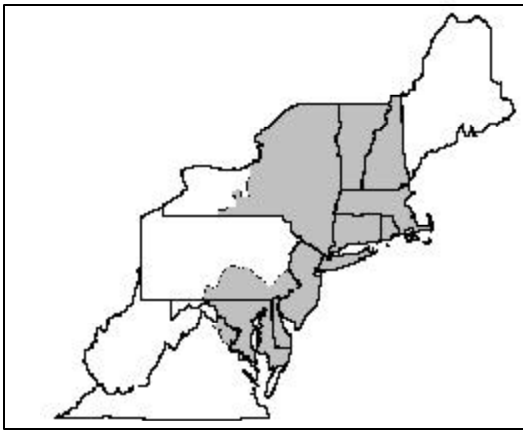
Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	833,784,739	$9.45	78,792,657.84	
Butterfat	17,321,938	1.2458	21,579,670.36	
Less: Location Adjustment to Handlers			(2,539,929.22)	$97,832,398.99
Class II— Butterfat	24,271,387	1.1443	27,773,748.13	
Nonfat Solids	27,756,631	0.7667	21,281,009.02	49,054,757.15
Class III– Butterfat	19,822,421	1.1373	22,544,039.41	
Protein	16,242,329	1.8538	30,110,029.49	
Other Solids	30,478,063	0.0240	731,473.52	53,385,542.42
Class IV– Butterfat	10,771,119	1.1373	12,249,993.63	
Nonfat Solids	15,851,084	0.6711	10,637,662.49	22,887,656.12
Total Classified Value				**$223,160,354.68**
Add: Overage—All Classes				32,019.72
Inventory Reclassification—All Classes				6,638.28
Other Source Receipts	356,008			10,429.68
Less: Producer Component Valuations				(191,693,446.47)
Subtotal				**$31,515,995.89**
Add: Location Adjustment to Producers				8,952,759.89
One-half Unobligated Balance—Producer Settlement Fund				977,334.94
Total Pool Milk & Aggregate Value	1,901,689,693			41,446,090.72
Less: Producer Settlement Fund—Reserve				(940,100.30)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$2.13**		40,505,990.42
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$11.79**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 2003 Federal Order No. 1

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

March Pool Price Calculation

The March 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $11.43 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. This was the lowest SUP reported since order reform took effect in January 2000. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The March producer price differential (PPD) at Suffolk County was $2.32 per hundredweight.

The March statistical uniform price was 36 cents per hundredweight below February's price and the March PPD was 19 cents above the previous month's. All class prices declined from last month, with the largest drop occurring in the Class III 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 an increased PPD.❖

New Formulas Take Effect

The revised Class III and IV pricing formulas became effective for milk marketed on or after April 1, 2003. The first price announced using the new formulas was the April Class I price that was announced on March 21. The Class II, III, and IV prices for April will be announced on May 2.

Review of the pricing formulas was mandated by Congress under the 1996 Farm Bill. A final decision altering the formulas was printed in the November 7, 2002, Federal Register. Producers approved the formulas in a referendum that concluded on November 25, 2002.

The final rule and additional background information can be accessed on the web at www.ams.usda.gov / dairy / hearing-III_IV.htm.❖

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. The Market Service Department checked 240 farm bulk tanks throughout the Northeast Marketing Area during 2002. In addition to the tanks checked, 170 bulk tanks were also recalibrated / calibrated.

(continued on Page 3)

Pool Summary

- A total of 16,208 producers were pooled under the Order with an average daily delivery per producer of 4,279 pounds.
- Pooled milk receipts totaled 2.150 billion pounds, an increase of 2.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.3 percent of total milk receipts, a decrease of 3.5 percentage points from February.
- The average butterfat test of producer receipts was 3.77 percent.
- The average true protein test of producer receipts was 3.01 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.3	888,284,740
Class II	18.8	403,368,008
Class III	29.0	624,578,911
Class IV	10.9	233,606,000
Total Pooled Milk		2,149,837,659

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	1.6648	1.8342
Butterfat Price	1.1459	1.3638
Other Solids Price	0.0206	0.0688

Class Price Factors

	2003	2002
	$/cwt	
Class I	13.06	14.87
Class II	10.54	12.19
Class III	9.11	10.65
Class IV	9.79	11.42

Growth and Consolidation in Federal Milk Orders

Since federal milk marketing orders began in the 1930s, many changes have occurred in the dairy industry and in the dynamics surrounding the order system. Population in the United States has grown substantially, yet the number of farmers supplying milk to the market has decreased dramatically. Milk production has continued to increase signifying a trend toward less but larger farms. The accompanying table shows measurements of growth and consolidation for selected years between 1947 and 2002.

When federal orders began, most were initially centered by a metropolitan area. The goal was to stabilize conditions for fluid milk by making the buying and selling of fluid milk an orderly process upon which dairy farmers, milk dealers, and consumers could depend. Over the years, transportation and refrigeration have improved such that federal order areas have expanded and consolidated, incorporating numerous metropolitan centers.

The population included in federal milk marketing areas grew nearly 400 percent since 1955. Today federal orders account for about 74 percent of all milk produced in the United States. The largest milk producing state, California, is not regulated under the federal order system.

The number of federal orders increased throughout the 1950s and early 1960s, peaking at 83 in 1962. The number of milk handlers peaked at 2,314 in 1961. Due to such changes in infrastructure, population movements, and largely pricing reform, the number of federal orders has declined dramatically since 1990. The 1996 Farm Bill mandated a consolidation of federal orders to between 10 and 13, resulting in the present configuration of 11 federal milk market orders.

The number of producers shipping milk to federal orders also peaked in the early 1960s (192,947 in 1961). Since then, the decline in dairy farms has been consistent, as has an increase in daily deliveries per producer. Due to technological and managerial advances, eight times more milk is produced and marketed today through federal orders by less than half the number of producers 55 years ago. Daily deliveries per producer have grown nearly 1,700 percent since 1947.

Even though the main purpose of federal milk orders is to regulate the supply of fluid milk (Class I), the percentage of milk regulated under federal orders that was utilized for Class I purposes has declined. The total volume of milk used for Class I purposes has grown, but not at the same rate as total milk receipts. In 1947, for example, 9.8 million pounds of producer milk were used in Class I or 65.5 percent of the total. In 2002, 46.0 million pounds were utilized in Class I, 36.7 percent of total milk pooled

Over the years shown, the blend price paid to producers has increased 174 percent. During this time, inflation has risen over 700 percent.❖

Changes in Federal Milk Order Markets, Selected Years, 1947–2002

Year	No. of Markets[1/]	Population in FMMAs	No. of Handlers[1/]	No. of Producers[2/]	Producer Receipts[3/]	DDP	Used in Class I	Blend Price at 3.5% BF
		millions			million lbs	pounds	percent	$/cwt
1947	29	N/A	991	135,830	14,980	302	65.5	4.34
1955	63	47.0	1,483	188,611	28,948	420	62.3	4.08
1965	73	102.4	1,891	158,077	54,444	944	63.5	4.31
1975	56	150.7	1,315	123,855	69,249	1,532	57.9	8.64
1985	44	176.4	884	116,765	97,762	2,294	43.2	13.88
1995	33	207.5	571	88,717	108,548	3,350	41.5	12.79
2002	11	234.3	338	63,856	125,546	5,387	36.7	11.91

[1/] End of year.

[2/] Average for year.

[3/] Beginning in 1989, does not include milk handlers electing not to pool due to disadvantageous price situations.

N/A = Not available.

FMMA = Federal Milk Marketing Area.

DDP = Daily delivery per producer.

Source: *Dairy Market News* .

MARKET SITUATION

Demand Remains Weak, Signs for Improvement Mixed

Dairy demand has been weak since it dropped off late in 2001. According to the USDA's "World Agricultural Supply and Demand Estimates," the situation has not improved, as reflected by the reduced forecast for commercial use (see accompanying table). Commercial use on a milkfat basis declined from 174.1 billion pounds in February 2003 to 173.3 billion pounds in March and is projected to decline to 172.5 billion pounds in April. Though these figures exceed commercial use at this time last year, the percent gain over the previous year has fallen from 2.4 percent in February, to 1.7 percent in March, to 1.2 percent in April. Ending commercial stocks for March 2003 were about the same as the previous year, but projections for April show stocks to be higher than last year by 0.6 billion pounds.

U.S. Milk Supply and Use

Commodity	FY 2002 February	FY 2002 March	FY 2002 April	FY 2003 February	FY 2003 March	FY 2003 April
Supply:						
Beg. Commercial stocks[1/]	8.8	8.8	8.8	11.3	11.2	11.2
Production	168.9	169.2	169.2	170.7	171.0	171.0
Marketings	167.6	167.9	167.9	169.5	169.8	169.8
Imports[1/]	5.2	5.2	5.2	5.0	5.0	5.0
Total Cml. Supply[1/]	181.6	181.9	181.9	185.9	186.0	186.1
Use:						
Commercial Use[1/]	170.0	170.4	170.4	174.1	173.3	172.5
Ending Commercial Stocks[1/]	11.3	11.2	11.2	10.6	11.3	11.9
CCC net removals:						
Milkfat basis[2/]	0.3	0.3	0.3	1.1	1.5	1.7
Skim-solids basis[2/]	9.6	9.6	9.6	6.9	8.2	8.8

[1/] Milk equivalent, milkfat basis.

[2/] Includes products exported under the Dairy Export Incentive Program.

Source: *World Agricultural Outlook Board*.

The weak economy has played a large role in slow demand recovery as consumers have reacted to the economy by either spending somewhat less or by shifting their spending habits. A sharp decline in The Conference Board's Consumer Confidence Index in February 2003 to 64.8 followed by another decline in March to a level of 62.5 (1985=100) would not lead to expectations that the shift in spending patterns will reverse soon.

According to USDA's Economic Research Service, growth in dairy demand is expected to resume in 2003 as slow economic improvement is expected. However, such modest demand growth may not be large enough to absorb increases in milk production and draw down beginning stocks, except at low prices.

Cheese demand is projected to expand in 2003, but may be held back somewhat due to unsettled restaurant use. Sales of butter are expected to grow, but demand is still predicted to be sluggish. Butter demand will be impacted by restaurant weakness, but sales of premium products that use butter may not recover much as processors are seen as reluctant to change formulations on the heels of high and volatile butter prices from 1998–2001. The majority of 2003's increase in butter sales is expected to be at retail.

International market prices of nonfat dry milk are projected to be near domestic prices for most of the year. This should help lead to growth of commercial use as level prices should weaken demand for imported milk proteins.❖

Market Services *(continued from Pg. 1)*

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. Anyone having a concern about the calibration of their bulk tank, should contact their handler who will work with the Market Administrator to schedule a calibration check.

Bulk tanks need to be firmly fastened to the milkhouse floor. If the concrete surrounding the legs on the bulk tank is missing or cracked, then it must be replaced before the tank check or calibration. Any bulk tank equipped with an external gauge (sight tube) must have clear tubing, plastic, or glass. If the tubing is discolored, replace with clear **tubing so that the technicians can easily see the readings.**

Tentative Calibration Truck Schedule, 2003

Month	Area
April	Eastern/Central New York
May	Northern Pennsylvania/New Jersey
June	Southern Pennsylvania
July	Central Pennsylvania
August	Eastern New York
September	Central New York
October	Southern Pennsylvania
November	Eastern/Central New York

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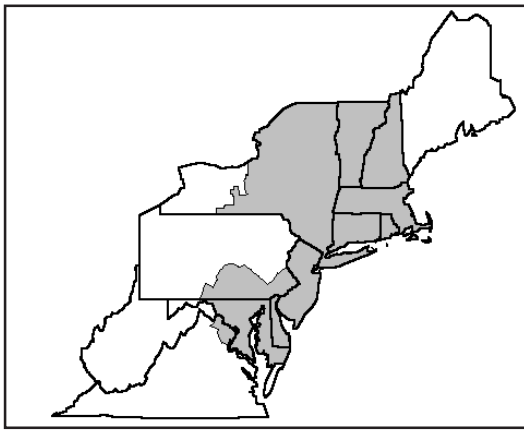
Computation of Producer Price Differential and Statistical Uniform Price

COMPUTATION OF PRODUCER PRICE DIFFERENTIAL

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	870,314,901	$9.29	80,852,254.30	
Butterfat	17,969,839	1.1699	21,022,914.65	
Less: Location Adjustment to Handlers			(2,682,053.67)	$99,193,115.25
Class II— Butterfat	28,752,269	1.1529	33,148,490.90	
Nonfat Solids	33,913,848	0.7489	25,398,080.80	58,546,571.70
Class III– Butterfat	23,550,997	1.1459	26,987,087.46	
Protein	18,724,033	1.6648	31,171,770.13	
Other Solids	35,504,508	0.0206	731,392.88	58,890,250.47
Class IV– Butterfat	10,734,790	1.1459	12,300,995.86	
Nonfat Solids	20,240,792	0.6651	13,462,150.76	25,763,146.62
Total Classified Value				**$242,393,084.04**
Add: Overage—All Classes				71,708.81
Inventory Reclassification—All Classes				13,305.90
Other Source Receipts	1,519,401			45,655.90
Less: Producer Component Valuations				(202,976,198.96)
Subtotal				**$39,547,555.69**
Add: Location Adjustment to Producers				10,247,375.98
One-half Unobligated Balance—Producer Settlement Fund				985,704.33
Total Pool Milk & Aggregate Value	2,151,357,060			50,780,636.00
Less: Producer Settlement Fund—Reserve				(869,152.12)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$2.32**		49,911,483.88
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$11.43**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

April 2003 Federal Order No. 1

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

The April 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $11.45 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 $2.04 per hundredweight.

The April statistical uniform price was 2 cents per hundredweight above March's price and the April PPD was 28 cents below the previous month's. All class prices declined from last month except the Class III price, which increased 30 cents per hundredweight. 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. Overall, the SUP was slightly higher due to higher butterfat and protein prices even though there was a negative other solids price for April (see related article).❖

April Other Solids Price is Negative

The other solids component price for April 2003 was -$.0008 per pound. The negative price was a result of the combination of revised price formulas and low dry whey prices. The revised Class III and IV pricing formulas, including a modified other solids formula, became effective in April. The formula used to calculate the other solids price is: **Other Solids = (NASS Dry Whey Price -0.159) × 1.03**

The values in the formula consist of:

- National Agricultural Statistical Service (NASS) dry whey price that is based on a nationwide survey of plants that manufacture dry whey.
- 0.159 is the "make allowance" and represents the cost of transforming liquid whey into dry whey. It is subtracted from the wholesale commodity price to determine the raw ingredient price.
- 1.03 is the yield factor and represents the number of pounds of dry whey it takes to produce a pound of other solids.

Remember, since federal orders use manufactured product prices to set the base milk price, the NASS product prices are adjusted back to a milk value price.

(continued on page 2)

Pool Summary

- A total of 16,193 producers were pooled under the Order with an average daily delivery per producer of 4,342 pounds.
- Pooled milk receipts totaled 2.109 billion pounds, an increase of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.3 percent of total milk receipts, no change from March on a percentage point basis.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 2.98 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.3	870,796,063
Class II	17.5	369,578,731
Class III	28.5	600,535,065
Class IV	12.7	268,383,477
Total Pooled Milk		2,109,293,336

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	1.8006	2.0109
Butterfat Price	1.1503	1.2890
Other Solids Price	(0.0008)	0.0566

Class Price Factors

	2003	2002
	$/cwt	
Class I	12.89	14.72
Class II	10.44	11.88
Class III	9.41	10.85
Class IV	9.73	11.09

Other Solids *(continued from page 1)*

The revised formula adopted a higher make allowance (0.159 versus 0.14), which was increased to reflect the higher cost of drying whey than of drying nonfat dry milk. In addition, an allowance for component losses that occur in the farm-to-plant transfer was included, and the formula yield factor was changed to a multiplier instead of a divisor. Since the NASS dry whey survey price for April was $0.1582 per pound and the make allowance, 0.159, was greater than the value of the dry whey, the formula yielded a negative value. The change in the yield factor from a divisor to a multiplier has no impact on whether the price is positive or negative.

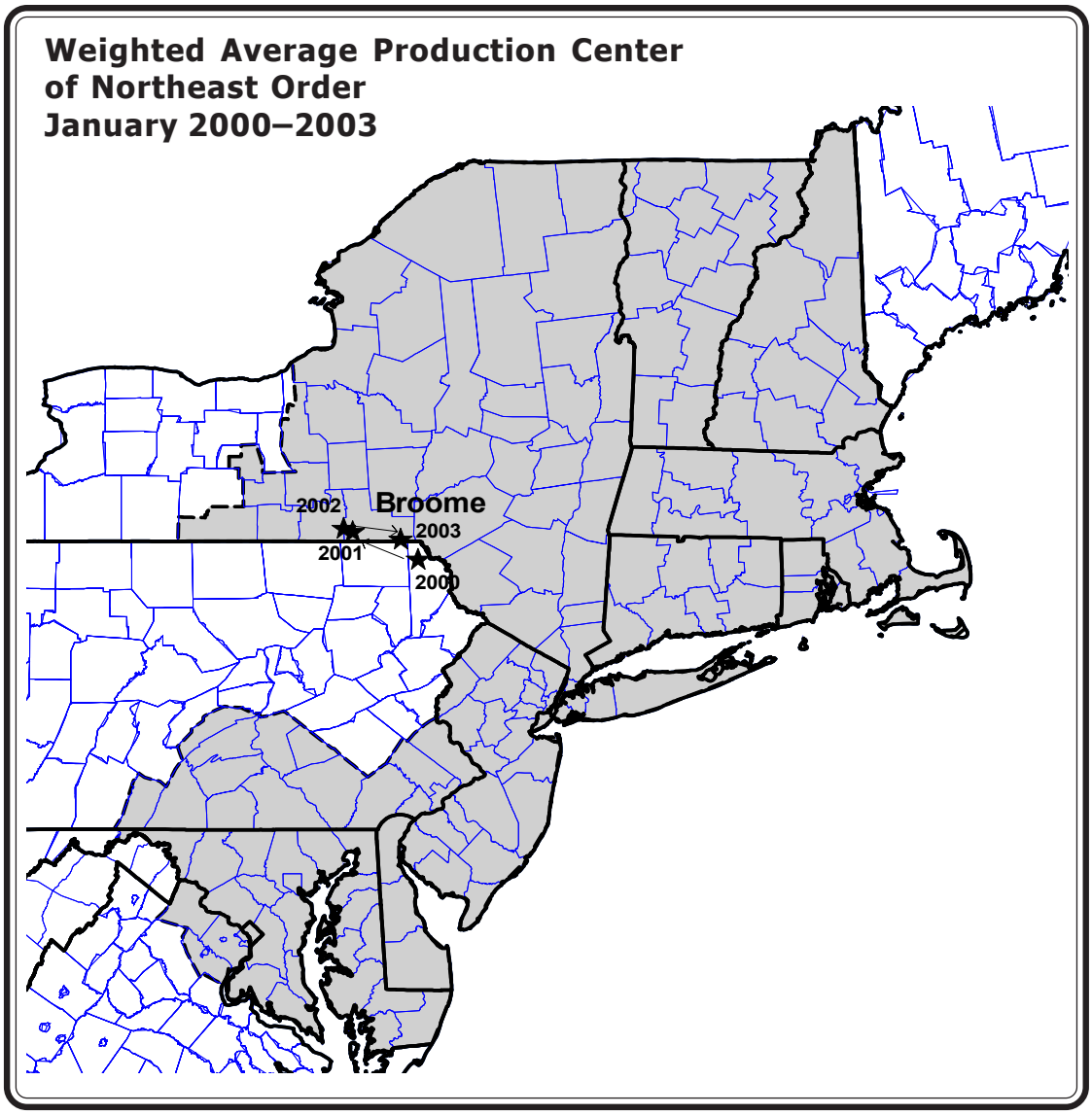
In USDA's impact study of the formula changes, USDA projected the average other solids component price to be $0.0197 per pound lower during the 2003-2007 time period. With dry whey prices hovering in the 15 to 17 cents per pound range, it is likely that the other solids price could again be negative.❖

Annual Bulletin Available

The 2002 Annual Statistical Bulletin for the Northeast Milk Marketing Area is now available. The report provides information about the operation of the Northeast Marketing Area. The 56-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.❖

Shifts in the Center of Northeast Order Production

Broome County, New York, is the center of the Northeast Order milkshed based on data for January 2003. The milkshed encompasses all counties having producers shipping milk to handlers regulated under the Northeast Order. The conceptual center of the milkshed is calculated by weighting each farm's location by its production. The center of the milkshed does shift over time. When looking at January 2000 through January 2003, the center shifted from Wayne County, Pennsylvania, in 2000, to Broome County, New York, in 2001. It then moved to Tioga County, New York, in 2002, and then back to Broome County, New York, in 2003.



The shift west in the years 2001 and 2002 was largely caused by milk pooled on the Northeast Order from states not traditionally part of the Northeast milkshed beginning approximately December 2000. These states include Idaho, Michigan, Minnesota, Nevada, Utah, Wisconsin, and Wyoming. These "other area" milk receipts totaled 64 and 70 million pounds in January 2001 and 2002, respectively. The center shifted back east due to the change in pooling provisions that prevented or discouraged such pooling practices. The result was a drop in "other area" pool receipts from 64 million pounds in July 2002 to just 2 million pounds in August 2002. Other area receipts peeked at approximately 108 million pounds during the months of May and June 2001.❖

MARKET SITUATION

Manufactured Dairy Product—2002 Summary

USDA's National Agricultural Statistics recently released their *Dairy Products Annual for 2002.* This publication summarizes dairy products manufactured in the United States.

Cheese Production Grows

Cheese production (excluding cottage) grew 4.1 percent from 2001. American continued to be the number one cheese produced in the United States and grew 4.7 percent in 2002. Over 3.7 billion pounds were made during the year, accounting for 43 percent of all cheese manufactured. Italian cheese was the next largest product, increasing 2.4 percent from 2001 to 3.5 billion pounds.

Swiss cheese production grew 3.5 percent; cream and Neufchatel jumped 10.0 percent; and all other cheese production (Muenster, brick, Limburger, blue, Hispanic, and other varieties) increased 5.0 percent.

Other Manufactured Products

Butter production was up 10.0 percent from 2001 and totaled about 1.4 billion pounds. Yogurt increased 6.6 percent totaling 2.1 billion pounds in 2002. Ice cream production grew 1.9 percent while unsweetened condensed milk jumped 10.3 percent. Nonfat dry milk production increased 11.0 percent from the previous year.

During 2002, the Commodity Credit Corporation (CCC) purchased 681.9 million pounds of NFDM, over 43.0 percent of the total produced. The CCC also purchased 12.9 million pounds of cheese, but no butter.

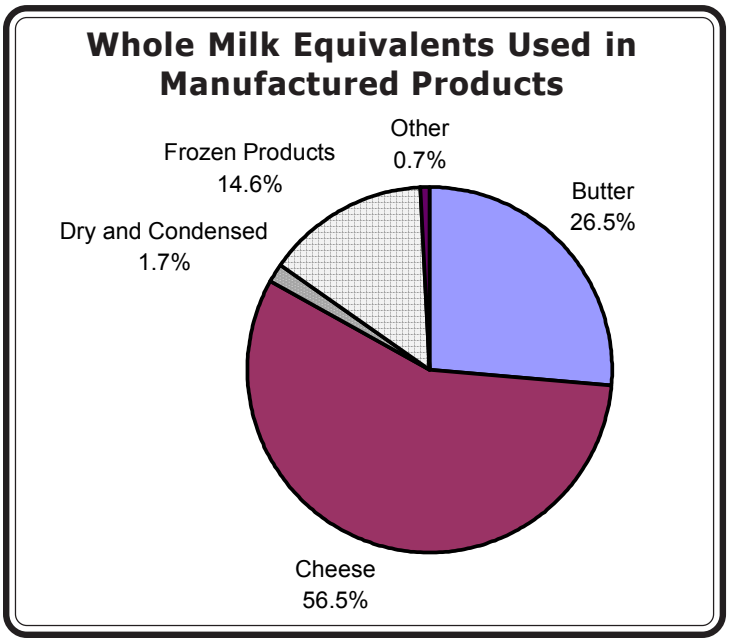
Leading Manufacturing States

Once again, Wisconsin lead the nation as the top cheese-producing state with 26.0 percent of all cheese made (excluding cottage). This percentage was down slightly, from 25.8 in 2001. California ranked second in cheese production with 20.0 percent of total U.S. cheese. New York was the third largest cheese manufacturing state with 8.3 percent; Idaho moved up to the fourth position with 7.2 percent; and Minnesota dropped to fifth with 6.9 percent.

The top butter producing states were California (28.0 percent), Wisconsin (25.3 percent), and Washington (7.9 percent). Of the states reporting, California had the largest yogurt production followed by New York. California also ranked first in nonfat dry milk production (for human food) with 48.4 percent of total production.

Utilization of Milk Marketings

Of the total amount of milk marketed in 2002, 63.0 percent was used for manufactured dairy products, up from 61.0 percent in 2001. On a net whole milk equivalent basis, the proportions used in selected dairy products (see accompanying chart) changed slightly in 2002. Most notably, butter increased from 25.6 to 26.5 percent and frozen products decreased from 15.7 to 14.6 percent. Proportions for cheese and other products were unchanged while evaporated, dry, and condensed products increased 0.2 percentage points.❖



CWT Informational Meetings Scheduled

Cooperatives representing producers located in the Northeast will be holding informational meetings on the Cooperatives Working Together (CWT) program. This program was developed through the National Milk Producers Federation with input from dairy producers across the country.

The CWT's objective is to develop and implement a multidimensional, farmer-led and farmer-funded program that will strengthen and stabilize producer milk prices for a minimum of 12 months. The CWT will work to achieve its goal by addressing supply and demand imbalances. It is not a government program.

The three programs CWT is finalizing include:

- a herd purchasing program to reduce the overall number of dairy cows in the national herd;
- an export price assistance program to stimulate the sale of U.S. dairy products overseas; and
- a market reduction program to provide incentives for producers to reduce their milk marketings.

The meetings are open to all dairy producers and agribusiness professionals who are interested in learning more about the details of this national program. Meetings will be held from mid-May through the beginning of June. For more information on dates, times, and locations, call the Northeast CWT Hotline at 1-888-858-7813.❖

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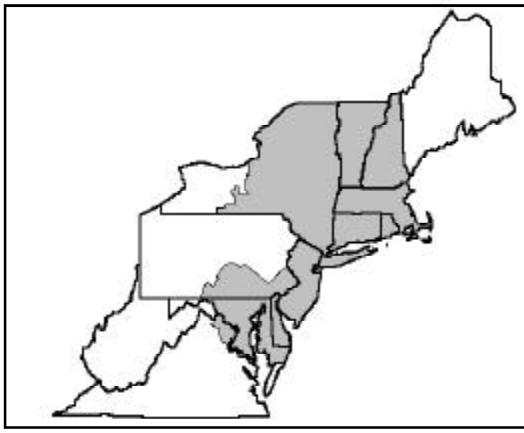
Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	852,979,802	$9.17	78,218,247.84	
Butterfat	17,816,261	1.1552	20,581,344.71	
Less: Location Adjustment to Handlers			(2,613,676.25)	$96,185,916.35
Class II— Butterfat	27,526,702	1.1573	31,856,652.22	
Nonfat Solids	30,900,727	0.7356	22,730,574.79	54,587,227.01
Class III– Butterfat	22,826,593	1.1503	26,257,429.99	
Protein	17,803,111	1.8006	32,056,281.66	
Other Solids	34,237,995	(0.0008)	(27,390.44)	58,286,321.21
Class IV– Butterfat	10,374,566	1.1503	11,933,863.27	
Nonfat Solids	23,409,702	0.6564	15,366,128.38	27,299,991.65
Total Classified Value				**$236,359,456.22**
Add: Overage—All Classes				85,794.32
Inventory Reclassification—All Classes				30,706.26
Other Source Receipts	64,332			2,213.02
Less: Producer Component Valuations				(203,350,743.20)
Subtotal				**$33,127,426.62**
Add: Location Adjustment to Producers				10,070,545.55
One-half Unobligated Balance—Producer Settlement Fund				875,712.32
Total Pool Milk & Aggregate Value	2,109,357,668			44,073,684.49
Less: Producer Settlement Fund—Reserve				(1,042,787.96)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$2.04**		43,030,896.53
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$11.45**		

* 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 2003 Federal Order No. 1

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

The May 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $11.60 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 $1.89 per hundredweight.

The May statistical uniform price was 15 cents per hundredweight above April's price and the May PPD was 15 cents below the previous month's. The greatest change in class prices was in the Class III price, which increased 30 cents per hundredweight from last month.

Other Solids Negative Again

The SUP increased slightly due to higher butterfat and protein prices offsetting the negative other solids price. The negative price was the result of continued low dry whey prices. For an explanation of the price calculation, refer to the April *Bulletin*.❖

US Milk Production Up, but Not in Northeast

During the first 4 months of 2003, total milk production in the United States increased 1.1 percent compared to the same period in 2002. National milk production is estimated by the National Agricultural Statistics Service (NASS) based on actual survey data from the top twenty milk producing states.

The table on page 3 shows the top ten milk producing states' total production from January through April 2003 and the percent change from the same months during 2002. Overall, these states had a combined increase of 2.1 percent from last year. The combined New England states registered a 3.3 percent decline for the first 3 months of 2003. All other Northeastern states typically included in the Northeast Order milkshed had decreases as well.

The only top twenty states that had increases during this period were located in the west (California, Idaho, and Washington); the southwest (Arizona, New Mexico, and Texas); and in the upper Midwest (Illinois, Iowa, Michigan, and Wisconsin).

Normally, during the months of March, April, and May, the Northeast Order experiences an increase in producer milk receipts referred to as the "spring flush". This spring, milk pooled under the

(continued on page 3)

Pool Summary

- A total of 16,145 producers were pooled under the Order with an average daily delivery per producer of 4,349 pounds.
- Pooled milk receipts totaled 2.177 billion pounds, a decrease of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.1 percent of total milk receipts, an increase of 0.8 percentage points from April.
- The average butterfat test of producer receipts was 3.66 percent.
- The average true protein test of producer receipts was 2.96 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.1	917,357,346
Class II	17.4	377,570,613
Class III	28.0	609,235,748
Class IV	12.5	272,755,038
Total Pooled Milk		2,176,918,745

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	1.9275	2.2097
Butterfat Price	1.1512	1.1433
Other Solids Price	(0.0144)	0.0371

Class Price Factors

	2003	2002
	$/cwt	
Class I	12.96	14.51
Class II	10.43	11.29
Class III	9.71	10.82
Class IV	9.74	10.57

Top Ten Northeast Order Counties—Milk Receipts

In 2002, the top ten counties in terms of milk pooled on the Northeast Order accounted for 29.5 percent of all milk pooled during the year, up from 28.6 percent in 2001. 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 in these figures.

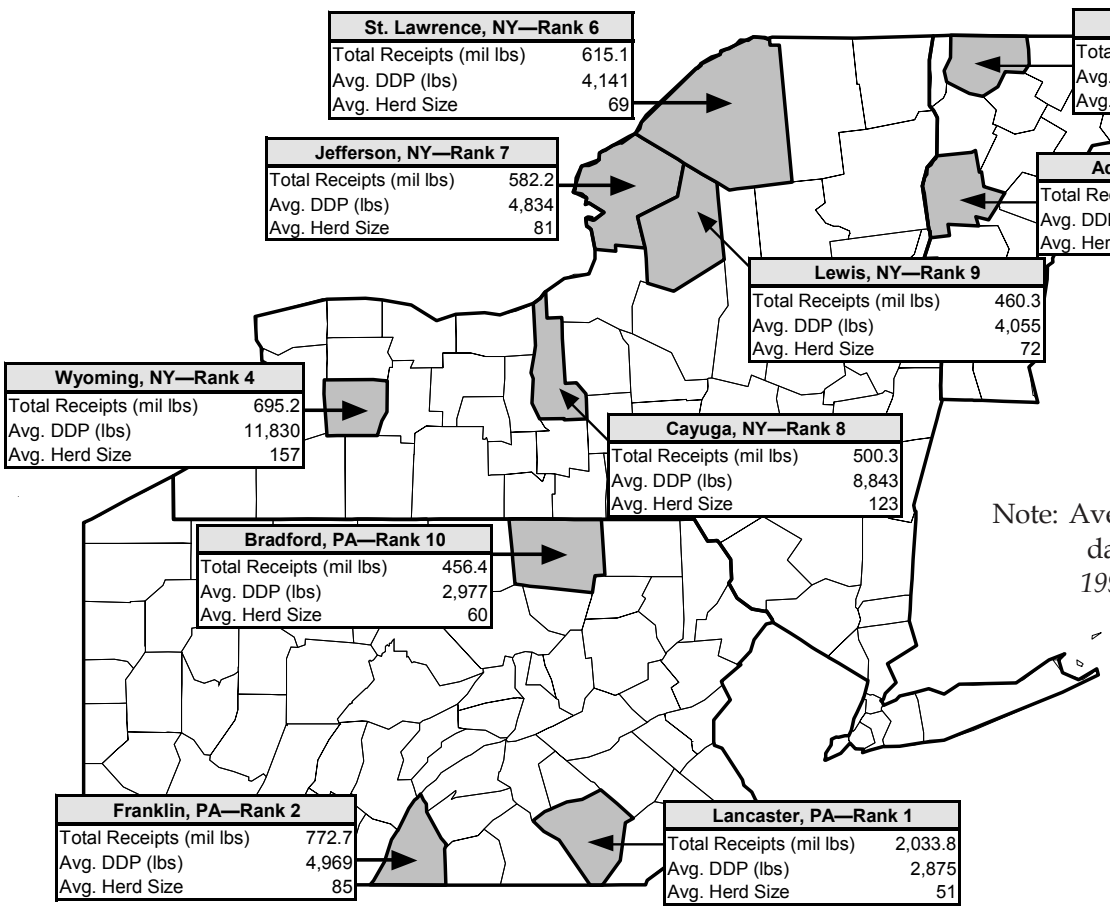
Lancaster County, PA, led all counties for the year with over 2 billion pounds pooled, more than 2.5 times second ranked Franklin County, PA, which pooled about 773 million pounds. Franklin County, VT, was third with 730 million pounds. The counties of Wyoming, St. Lawrence, Jefferson, Cayuga, and Lewis in New York; Addison in Vermont; and Bradford in Pennsylvania, round out the top ten. The accompanying figure ranks the top ten counties by Northeast Order pooled milk receipts and includes statistics on daily deliveries by producer (DDP) and average herd size.

The top three positions remained as they were in 2001. Wyoming County, NY, moved up three positions from seventh to fourth. Addison County, VT; St. Lawrence County, NY; and Jefferson County, NY, each slipped one position to fifth, sixth, and seventh, respectively. Lewis County, NY, and Bradford County, PA, swapped positions finishing ninth and tenth, respectively. Cayuga County, NY, remained in the eight position.

Lancaster County, PA, also had the largest number of producers of the top ten supply counties, registering an average 1,938 during 2002, up from 1,907. The second-ranked county, Franklin County, PA, also ranked second in producers with an average of 426, down slightly from 438 in 2001. Cayuga County, NY, averaged the smallest number of producers of the top ten counties with 155. In total, the top ten counties accounted for an average of 27.5 percent of all pool producers during 2002, which was up slightly from 27.4 percent in 2001.

All top ten counties experienced increased DDP. Of these counties, Wyoming County, NY, had the highest DDP in 2002 at 11,830 pounds, up from 10,672 pounds the previous year when it led the same group. Top ranked Lancaster County, PA, had the lowest DDP at 2,875 pounds.❖

Northeast Order Top Ten Supply Counties, 2002



MARKET SITUATION

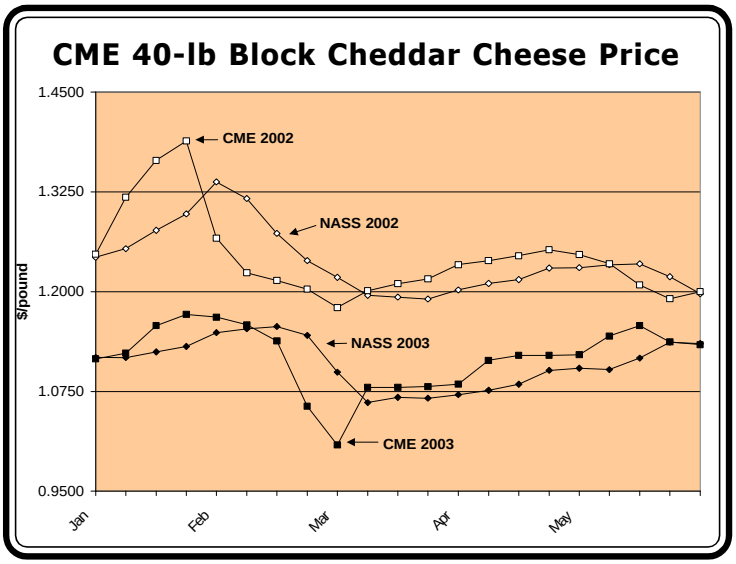
Commodity Prices

Cheese Prices

For the first 5 months of 2003, prices for 40-pound block Cheddar on the Chicago Mercantile Exchange (CME) averaged $1.1176 per pound, $0.0073 per pound higher than block Cheddar prices reported by the National Agricultural Statistics Service (NASS). The NASS cheese price is used in calculating prices under federal orders.

As depicted in the chart, both prices follow the same trend, yet the NASS prices tend to lag behind the CME prices. In addition, the NASS prices appear to be somewhat less volatile; they usually do not peak as high as CME prices, but also, they generally do not reach as severe lows as the CME prices. For example, during the period shown, the CME price peaked at $1.1713 per pound at the end of January while the NASS price peaked at $1.1563 per pound in February. On the low side, the CME price hit $1.0080 per pound in March, while the NASS price bottomed at $1.0610 per pound, also in March. Over this period, CME prices ranged 16 cents while NASS prices only ranged about 10 cents.

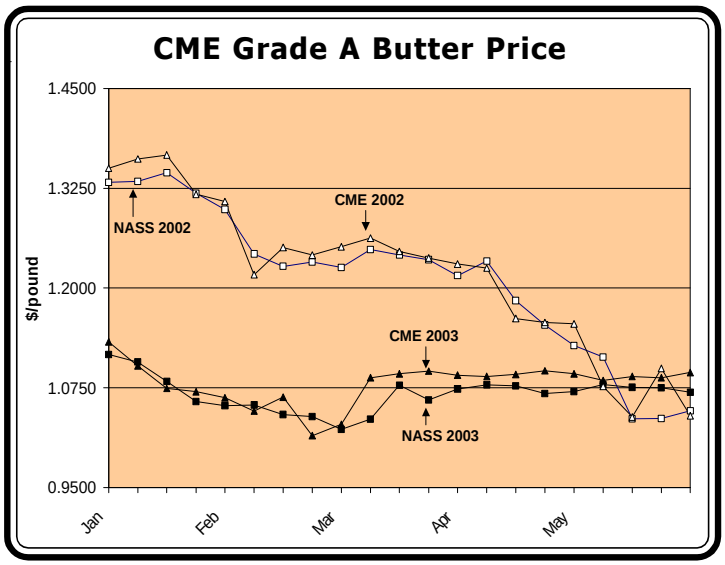
Compared to the previous year, both CME and NASS prices averaged nearly 13 cents per pound less during the five-month period in 2003.



Butter Prices

Similar behavior is seen with butter prices; they follow the same trend with the NASS prices displaying less volatility. Since the beginning of 2003, the CME butter price ranged from a high of $1.1325 to a low of $1.0150 per pound, a difference of nearly 12 cents. The NASS price ranged from $1.1166 to $1.0229 per pound, a range of 9 cents.

Overall, the CME price averaged $0.0130 per pound higher that the NASS price during the first 5 months of 2003. This compares with a difference of $0.0079 per pound in 2002. Butter prices during the January–May period in 2003 averaged 14 cents per pound lower than in 2002 as reported by both NASS and CME.❖



US Milk Production (continued from Pg. 1)

order was below last year during each of the spring flush months. Part of this decline was due to handlers deciding to pool milk elsewhere, especially milk coming into the marketing order from distant states. Even with this milk excluded, total pooled milk was 2.7 percent less than last year. This trend coincides with the NASS data.❖

Top Ten States Ranked by Milk Production, January–April 2003

State	Million Pounds	Percent Change from 2002
California	11,853	4.1
Wisconsin	7,434	0.4
New York	4,052	(0.4)
Pennsylvania	3,603	(1.3)
Minnesota	2,839	(3.4)
Idaho	2,798	7.3
New Mexico	2,192	7.3
Michigan	2,015	3.2
Texas	1,960	4.1
Washington	1,863	1.1
Top Ten Total	40,609	2.1
US Total	57,599	1.1

Source: NASS, *Milk Production*

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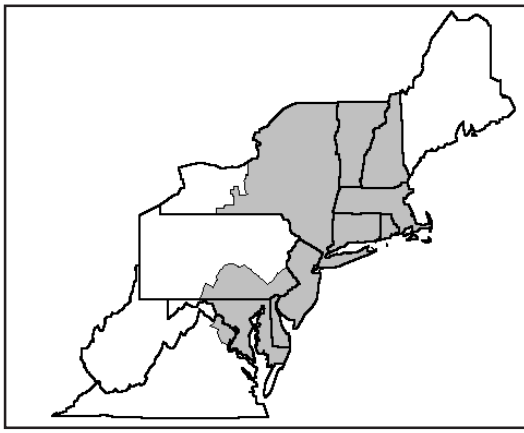
Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	898,652,821	$9.16	82,316,598.40	
Butterfat	18,704,525	1.1787	22,047,023.62	
Less: Location Adjustment to Handlers			(2,763,025.29)	$101,600,596.71
Class II— Butterfat	29,008,094	1.1582	33,597,174.47	
Nonfat Solids	31,403,670	0.7344	23,062,855.27	56,660,029.74
Class III– Butterfat	22,243,944	1.1512	25,607,228.34	
Protein	17,967,399	1.9275	34,632,161.66	
Other Solids	34,744,301	(0.0144)	(500,317.92)	59,739,072.08
Class IV– Butterfat	9,730,793	1.1512	11,202,088.89	
Nonfat Solids	23,754,810	0.6574	15,616,412.11	26,818,501.00
Total Classified Value				**$244,818,199.53**
Add: Overage—All Classes				75,450.11
Inventory Reclassification—All Classes				106,842.84
Other Source Receipts	128,140			3,581.81
Less: Producer Component Valuations				(214,084,088.65)
Subtotal				**$30,919,985.64**
Add: Location Adjustment to Producers				10,347,039.59
One-half Unobligated Balance—Producer Settlement Fund				951,867.10
Total Pool Milk & Aggregate Value	2,177,046,885			42,218,892.33
Less: Producer Settlement Fund—Reserve				(1,072,706.11)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$1.89**		41,146,186.22
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$11.60**		

* 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 2003 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 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $11.66 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The June producer price differential (PPD) at Suffolk County was $1.91 per hundredweight.

The June statistical uniform price was 6 cents per hundredweight above May's price and the June PPD was 2 cents above the previous month's. All class prices increased slightly. The SUP increased slightly due to higher butterfat and protein prices even though the other solids price was negative again.❖

July Blend to Increase, PPD May be Negative

Higher prices for cheese and butter on the Chicago Mercantile Exchange (CME) indicate that a significant price rebound is likely on the way. On June 20, the CME price for block cheese was $1.2350 per pound. As of July 10, the CME block price was $1.5200 per pound, a 23 percent increase in less than 3 weeks. While federal order milk prices are based on wholesale cheese, butter, nonfat dry milk, and dry whey prices collected by the National Agricultural Statistical Service (NASS), these prices generally closely follow price movements on the CME cash market. There is, however, about a 2-week lag between price changes on the CME and changes in NASS prices.

Timing of Higher Prices

The lag between the CME and NASS price movements mean that the increase will first be noticed in the final milk check for July (the check received around August 18). The July advance payment (payable by July 28) will be based on the lowest class price of the previous month—June's Class III price of $9.75 per hundredweight (cwt). Assuming wholesale commodity prices hold or continue to rise, the full impact will not be seen until August and September milk checks.

The significant increase in cheese prices over a short period of time will cause a big jump in the Class III price beginning in July. While this will boost prices received by producers, it will cause the producer price differential (PPD) value to be very small and in some locations negative. The federal order pool, where the monthly statistical uniform price (SUP) and PPD is calculated, is a pool of dollars collected

(continued on page 2)

Pool Summary

- A total of 16,135 producers were pooled under the Order with an average daily delivery per producer of 4,137 pounds.
- Pooled milk receipts totaled 2.002 billion pounds, a decrease of 5.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.3 percent of total milk receipts, a decrease of 0.8 percentage points from May.
- The average butterfat test of producer receipts was 3.63 percent.
- The average true protein test of producer receipts was 2.95 percent.
- The average other solids test of producer receipts was 5.71 percent.❖

Pooled Milk	Percent	Pounds
Class I	41.3	826,980,772
Class II	19.6	392,591,886
Class III	30.7	614,563,061
Class IV	8.4	168,248,394
Total Pooled Milk		2,002,384,113

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	1.9434	2.0148
Butterfat Price	1.1576	1.1211
Other Solids Price	(0.0200)	0.0247

Class Price Factors

	2003	2002
	$/cwt	
Class I	12.99	14.28
Class II	10.46	11.19
Class III	9.75	10.09
Class IV	9.76	10.52

July Blend Prices *(continued from page 1)*

from processors making Class I, II, III and IV products and who contribute to the pool based on the products they make and the respective class prices. All producers are paid for protein, butterfat, and other solids components out of the pool at the same value as the protein, butterfat, and other solids components in Class III milk. Generally, there is money remaining in the pool after producers are paid for their components that is generated by Classes I, II and IV. This money is returned to producers on a per cwt basis through the PPD. In fact, subtracting the Class III price from the SUP will exactly equal the PPD.

Advance Pricing Impacts PPD

Class I milk under federal orders is priced on an advanced basis. The July price for Class I fluid milk processors was released on June 20 based on NASS cheese, butter, nonfat dry milk, and dry whey prices during the first 2 weeks of June. The Class III price for July will be released on August 1, based on NASS prices during July. Cheese prices for the first 2 weeks of June, used in the calculation of the Class I price, averaged $1.1387 per pound. Cheese prices for the month of July (used in the Class III calculation) will likely average about $1.37 per pound. This will result in a July Class III price just below the uniform price. Our office has estimated a PPD of 41 cents per cwt in Boston that will be negative in the more distant zones.

Negative PPD is Not Negative

Despite what producers may think, a very low or negative PPD in July *does not* result in their receiving less money for their milk. The total amount of money generated by the federal order marketwide pool is fixed based on the level of commodity prices. The money in the pool can be dispersed to producers via higher component prices and a low PPD (which will be the case in July) or via a high PPD and low component prices, or something in between. The low or negative PPD is simply the result of a calculation that is needed to balance the pool. In fact, it can be viewed as a positive price signal in that it can only happen when milk prices are rising rapidly. It is likely that the August pool will also result in negative PPD values in the more distant zones, but by August the SUP could be about $1.75 per cwt higher than June.

Affect on MILC

As higher commodity prices work their way through federal order class prices, the monthly payment under the Milk Income Loss Contract (MILC) program will begin to decrease. The decline will not be that noticeable until September, but by that time if commodity markets remain at current levels, the SUP under the Northeast Order is projected to be about 3 dollars per cwt higher than June's price. The accompanying table reports SUP, PPD, and MILC estimates for the next 3 months based on current market indicators.❖

Northeast Order Price Estimates, July–September 2003

Differential Zone	July SUP	July PPD	August SUP	August PPD	September SUP	September PPD
	($/cwt)					
Boston (3.25 zone)	12.34	0.41	13.41	0.27	14.50	1.20
New York Metro (3.15 zone)	12.24	0.31	13.31	0.17	14.40	1.10
Philadelphia, PA (3.05 zone)	12.14	0.21	13.21	0.07	14.30	1.00
Syracuse, NY (2.50 zone)	11.59	(0.34)	12.66	(0.48)	13.75	0.45

Note: Per cwt MILC payments are $1.76 for July, and estimated at $1.17 for August and $0.25 for September.

Pool Summary for All Federal Orders, January–June, 2002–03

Federal Order Number	Federal Order Name	Total Producer Milk 2002	Total Producer Milk 2003	Change	Producer Price Differential# 2002	Producer Price Differential# 2003	Statistical Uniform Price#* 2002	Statistical Uniform Price#* 2003
		pounds		percent	dollars per hundredweight			
1	Northeast	13,160,315,636	12,397,934,583	(5.8)	2.06	2.12	13.05	11.69
5	Appalachian	3,546,790,570	3,284,786,402	(7.4)	N/A	N/A	13.57	12.29
6	Florida	1,408,385,783	1,513,134,462	7.4	N/A	N/A	15.06	13.37
7	Southeast	4,300,241,112	3,690,872,186	(14.2)	N/A	N/A	13.34	12.12
30	Upper Midwest	10,335,834,450	11,244,488,942	8.8	0.51	0.47	11.49	10.04
32	Central	9,222,831,621	9,106,326,065	(1.3)	0.81	0.80	11.79	10.37
33	Mideast	9,396,763,888	8,744,275,762	(6.9)	1.03	1.07	12.01	10.64
124	Pacific Northwest	3,901,081,135	3,716,933,088	(4.7)	0.75	0.81	11.73	10.38
126	Southwest	5,033,438,366	5,374,074,779	6.8	1.84	1.80	12.83	11.37
131	Arizona-Las Vegas	1,613,182,234	1,634,258,852	1.3	N/A	N/A	11.89	10.53
135	Western	2,767,925,058	3,224,794,544	16.5	0.65	0.60	11.69	10.17
All Market Total/Average		64,686,789,853	63,931,879,665	(1.2)	1.09	1.10	12.59	11.18

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

MARKET SITUATION

2002 Component Levels Compared for Selected Orders

The levels of butterfat, protein, and other solids vary by federal milk marketing order. The accompanying charts show component tests for the year 2002 for the Northeast, Southwest, Upper Midwest, and Western Federal Milk Marketing Orders. These orders were chosen to give a sampling from various regions around the country. Other federal orders not shown in the charts are discussed in this article. In addition, not all federal orders pay on a component basis.

Butterfat Tests

Data published by USDA indicate that the Upper Midwest averaged the highest butterfat levels during 2002 with 3.73 percent, followed by the Central Order at 3.70 percent. The Northeast and Mideast orders finished third with 3.69 percent. Throughout 2002, the Mideast nearly mirrored the Northeast average on a monthly basis. Orders in the western and southwestern United States averaged the lowest butterfat tests. All other federal orders averaged between 3.63 and 3.67 percent for the year.

The highest average monthly butterfat test reported in 2002 for all eleven orders was 3.84 percent in November in the Upper Midwest. The lowest butterfat test was 3.48 percent in July in the Western Order.

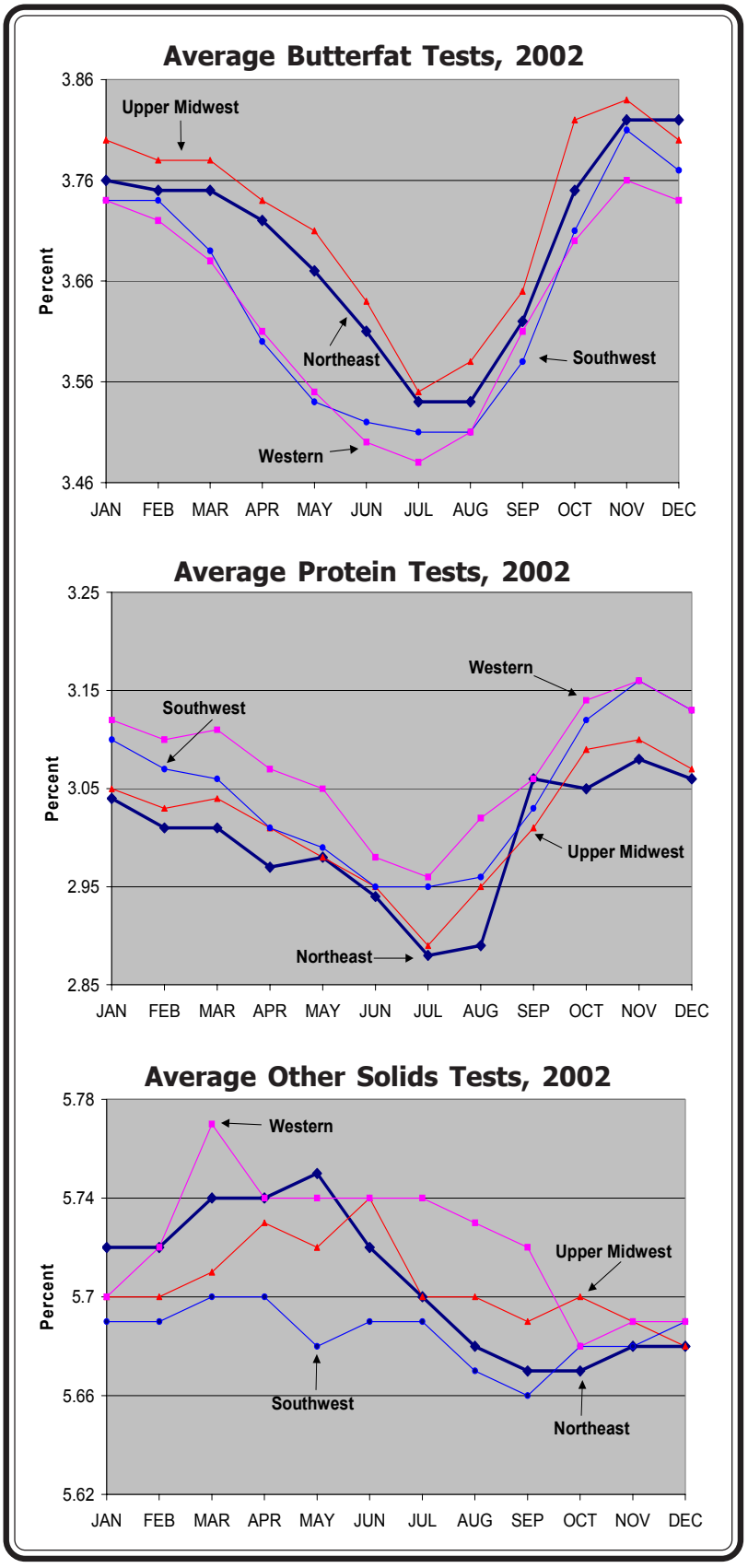
Protein Tests

The Western Order had the highest protein levels of the orders reporting with an average test of 3.07 percent during 2002. All other federal orders averaged between 3.00 and 3.05 percent for the year. The highest monthly average protein test reported was 3.16 percent, by both the Western and Southwestern Orders during November. The Northeast reported the lowest average protein levels throughout the year and experienced the lowest monthly average with 2.88 percent in July.

Other Solids Tests

A look at the other solids chart shows a less clear picture than for butterfat and protein. This component does not have as distinct a seasonal pattern as the other components. The Western Order reported the highest annual average of 5.72 percent for the year, while the Southwest had the lowest average with 5.69 percent. All other orders averaged 5.71 percent for the year.

The variance between highest and lowest average test during the year by all orders was largest for butterfat at 0.36 percentage points. Protein showed a 0.28 percentage point variance. Other solids stayed within a 0.11 percentage point range.❖



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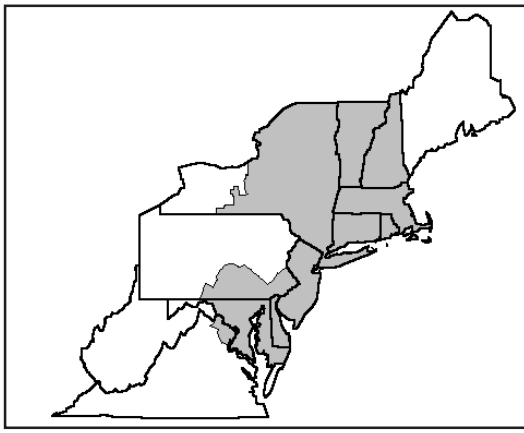
Computation of Producer Price Differential and Statistical Uniform Price

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	809,908,290	$9.17	74,268,590.19	
Butterfat	17,072,482	1.1825	20,188,209.97	
Less: Location Adjustment to Handlers			(2,499,495.91)	$91,957,304.23
Class II— Butterfat	27,891,782	1.1646	32,482,769.30	
Nonfat Solids	32,798,266	0.7356	24,126,404.46	56,609,173.76
Class III— Butterfat	21,412,012	1.1576	24,786,545.06	
Protein	18,110,437	1.9434	35,195,823.26	
Other Solids	35,045,423	(0.0200)	(700,908.46)	59,281,459.86
Class IV— Butterfat	6,366,309	1.1576	7,369,639.29	
Nonfat Solids	14,574,309	0.6574	9,581,150.77	16,950,790.06
Total Classified Value				**$224,798,727.91**
Add: Overage—All Classes				4,014.15
Inventory Reclassification—All Classes				72,440.93
Other Source Receipts	113,493			3,372.88
Less: Producer Component Valuations				(196,605,278.56)
Subtotal				**$28,273,277.31**
Add: Location Adjustment to Producers				9,685,436.51
One-half Unobligated Balance—Producer Settlement Fund				1,131,769.59
Total Pool Milk & Aggregate Value	2,002,497,606			39,090,483.41
Less: Producer Settlement Fund—Reserve				(842,779.15)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$1.91**		38,247,704.26
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$11.66**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 2003 Federal Order No. 1

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

July Pool Price Calculation

The July 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.46 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The July producer price differential (PPD) at Suffolk County was $0.68 per hundredweight. The PPD becomes negative at the $2.50 differential zone (Syracuse, New York) and all other more distant zones. See June *Bulletin* for an explanation of negative PPD.

The July statistical uniform price was 80 cents per hundredweight above June's price and the first time since January that the SUP was over $12.00. The July PPD was $1.23 below the previous month's. Even though the PPD was lower and the other solids price was negative, the SUP increased due to higher butterfat and protein prices. The July protein price was the second highest reported since federal order reform began. This was reflected in the higher class prices, especially the Class III price, which jumped $2.03 per hundredweight over June's.❖

Negative Other Solids Price

For the fourth month in a row the component price for other solids (largely the lactose, minerals, and ash in milk) has been negative. The July other solids price was a negative 1.24 cents per pound of other solids. As discussed more thoroughly in the April *Bulletin,* there are two factors behind the negative price: 1) the market price for dry whey (upon which the other solids price is based) has been at record lows during the past several months; and 2) recent changes to the Class III and Class IV price formulas including a modified other solids price formula.

The same formula revisions that resulted in a negative other solids price increased the protein price, while slightly lowering the butterfat component price, than would have been the case if the revised formulas were not implemented. The table on page 2 reports the component prices for the last 4 months as calculated under the old and new formulas. Note that the higher protein prices in all months offset the combined loss from butterfat and other solids.

Due to how the federal order pool is calculated, the producer price differential (PPD) paid to producers rose during the months when the other solids value was negative, that is after accounting for the fact that the classified value of the Northeast Order pool starts off lower than if the other solids price was positive. The PPD has risen because of how the

(continued on page 2)

Pool Summary

- A total of 16,175 producers were pooled under the Order with an average daily delivery per producer of 4,022 pounds.
- Pooled milk receipts totaled 2.017 billion pounds, a decrease of 2.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.9 percent of total milk receipts, an increase of 0.6 percentage points from June.
- The average butterfat test of producer receipts was 3.57 percent.
- The average true protein test of producer receipts was 2.91 percent.
- The average other solids test of producer receipts was 5.67 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.9	845,717,857
Class II	20.3	409,623,111
Class III	30.0	604,183,536
Class IV	7.8	157,299,353
Total Pooled Milk		2,016,823,857

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	2.5480	1.8095
Butterfat Price	1.2055	1.0929
Other Solids Price	(0.0124)	0.0150

Class Price Factors

	2003	2002
	$/cwt	
Class I	13.02	13.87
Class II	10.63	11.14
Class III	11.78	9.33
Class IV	9.95	10.45

Negative Price *(continued from page 1)*

value of producer milk components (protein, butterfat, other solids) payable to producers is deducted from the classified value of the pool. Other value generated in the pool (created by milk in Classes I, II, and IV) is lumped together and returned to producers via the PPD. The negative other solids price only affects the value of milk pooled in Class III—about 30 percent of the pool. While producers see the result of the negative other solids in their milk checks they do not see the inverse affect, which is a higher PPD. The value of other solids deducted from producer component values that is in excess of the Class III portion of the total is returned to producers via an increase in the PPD. For the July pool this value was $993,424.72 or a 4.9 cents per hundredweight higher PPD.❖

Component Price Differences Under New and Old Class III and IV Price Formulas

	Protein Price		Butterfat Price		Other Solids Price		Net Difference
	Old	New	Old	New	Old	New	All Components
2003	dollars per pound						
April	1.7097	1.8006	1.1690	1.1503	0.0188	-0.0008	0.0526
May	1.8447	1.9275	1.1699	1.1512	0.0052	-0.0144	0.0445
June	1.8602	1.9434	1.1765	1.1576	0.0000	-0.0200	0.0443
July	2.4953	2.5480	1.2251	1.2055	0.0072	-0.0124	0.0135

Average Component Tests for Selected Northeast States/Areas

The accompanying map compares the weighted average of producer butterfat, protein, and other solids levels for Northeast states for April 2003. The other New England states group includes Connecticut, Massachusetts, New Hampshire, and Rhode Island. Other Mid-Atlantic states group includes Delaware, New Jersey, Virginia, and West Virginia. The figures are derived from Northeast Order payroll data as submitted by Northeast Order handlers.

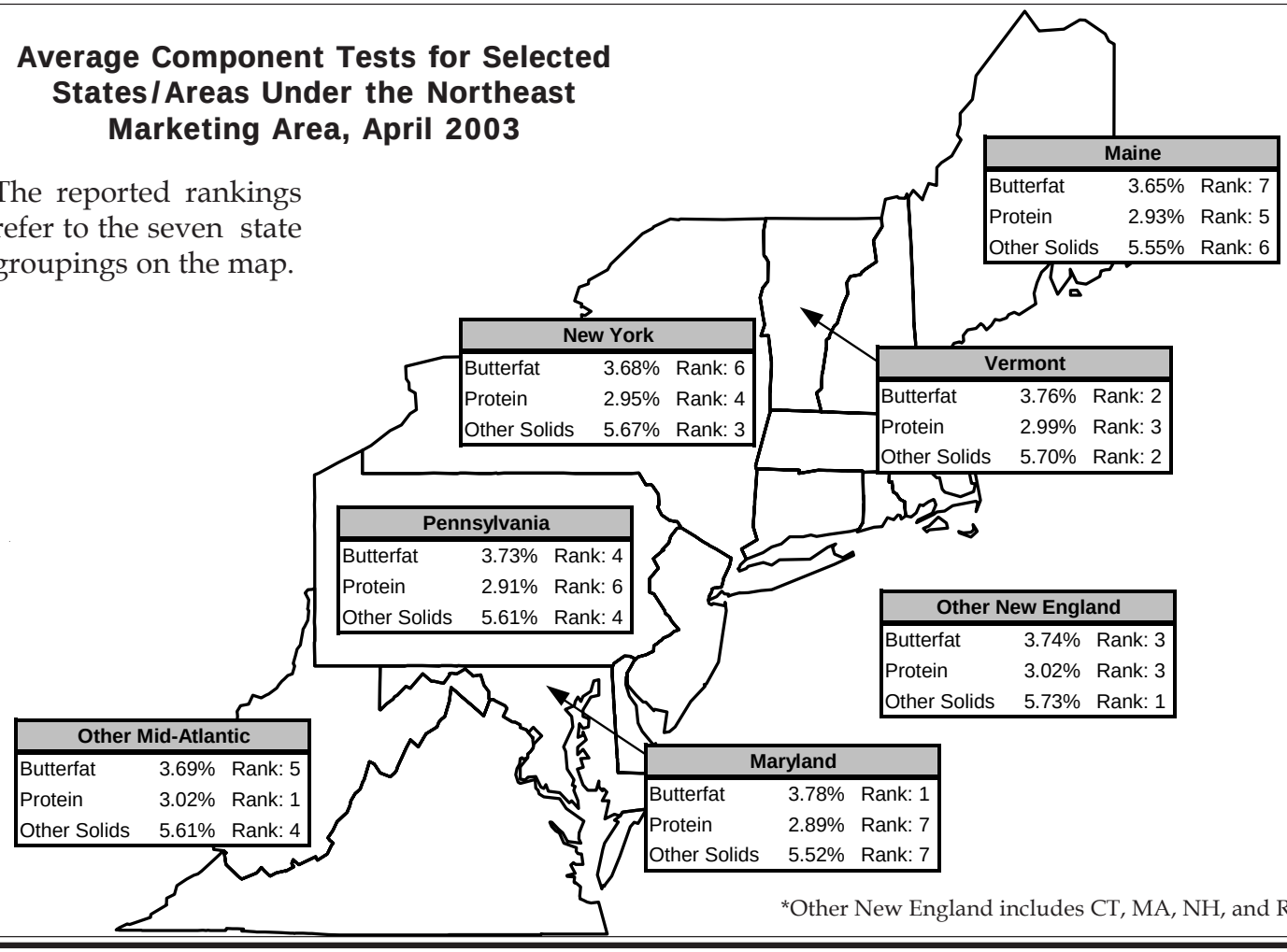
Maryland averaged the highest level of butterfat at 3.78 percent. Maine averaged the lowest at 3.65 percent. The simple average for all selected states represented on the map was 3.72 percent.

Average protein tests were highest in Other Mid-Atlantic and Other New England states at 3.02 percent and lowest in Maryland at 2.89 percent. The simple average for all selected states represented on the map was 2.99 percent.

Average other solids tests were highest in Other New England states at 5.73 percent and lowest in Maryland at 5.52 percent. The simple average for all selected states represented on the map was 5.65 percent.❖

Average Component Tests for Selected States/Areas Under the Northeast Marketing Area, April 2003

The reported rankings refer to the seven state groupings on the map.



*Other New England includes CT, MA, NH, and RI.

MARKET SITUATION

Milk Production Declines; Prices Rise

During the first quarter of 2003, milk production was on the rise in most of the top-ten milk producing states and in the nation as a whole. U.S. milk production increased 1.3 percent from January–March 2003 over the same period in 2002. During each month of 2003, the increase over the previous year's corresponding month declined, and beginning with May, national milk production dropped below the previous year's for the first time in 18 months. This decrease, followed by another in June, resulted in a second quarter decline of 0.3 percent. Overall, milk production was up 0.5 percent for the first 6 months of 2003.

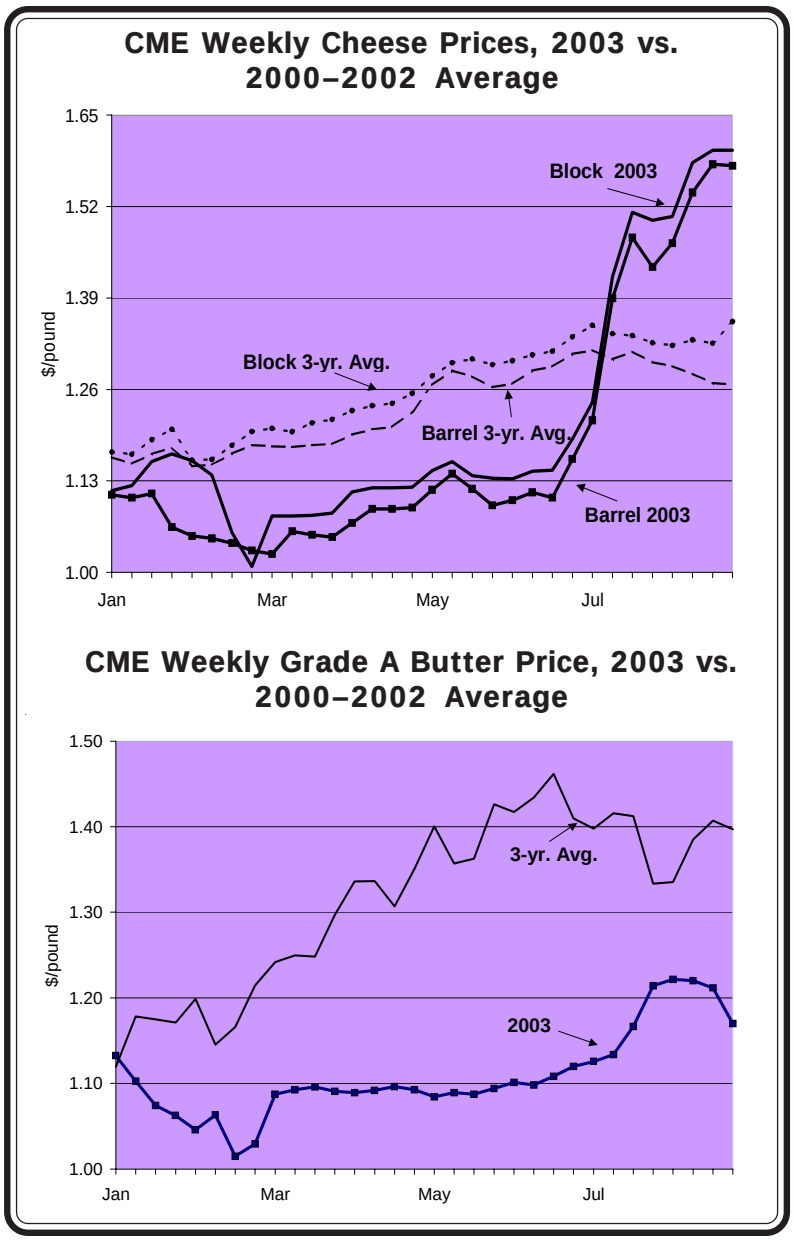
In May, only five of the top-twenty milk producing states showed increases from the previous year as hotter temperatures began taking their toll on cows and milk production. Most of the southern states began seeing a seasonal decline with the northern states peaking a few weeks later. By mid-July, most of the country was affected by hot and humid weather that resulted in reduced milk receipts and lowered the milk solids content, impacting cheese production.

As the situation tightened, commodity prices for cheese and butter began to rise on the Chicago Mercantile Exchange (CME) as depicted in the accompanying chart. Both block Cheddar and barrel cheese prices, which had not changed more than 3 cents since the first week of March, jumped over 4 cents on June 18. The next week they both increased over 5 cents per pound. For the week ending July 3, cheese prices increased over 17 cents per pound; the following week a 9-cent jump occurred. A slight decrease occurred during the week ending July 18, followed by a slight gain and another 7-cent gain the next week. As of August 15, the weekly block Cheddar cheese price equaled $1.6000 per pound while the barrel price averaged $1.5780 per pound. This equates to increases of nearly 47 cents and 48 cents per pound, respectively, for blocks and barrels since the end of May.

Prices for Grade butter on the CME also rose during this period. As of August 15, the CME weekly butter price was $1.17 per pound, an increase of 7 cents since the beginning of June and 8 cents higher than the beginning of 2003 (see chart).

As a result of commodity market price increases, the price for raw milk used in cheese-making jumped over $2.00 per hundredweight for July and the Class I price for August will be $1.20 higher than July's. In addition, it is estimated that the Class III price will jump nearly another $2.00 per hundredweight in August, while the Class II and IV prices will increase about 40 cents over July's prices.

Other impacts from the price increase include suspended sales of cheese and butter by the Commodity Credit Corporation (CCC). Since the last week of June, CCC net purchases total only 79,200 pounds of cheese, with no sales the past 3 weeks. No butter has been purchased since mid-June. Stocks of butter and cheese remain high, with butter cold storage holdings reporting volumes 20 percent higher than at mid-year of 2002 and cheese stocks about 1 percent greater. Compared to the first half of 2001, butter stocks are up 89 percent and cheese is 6 percent higher.❖



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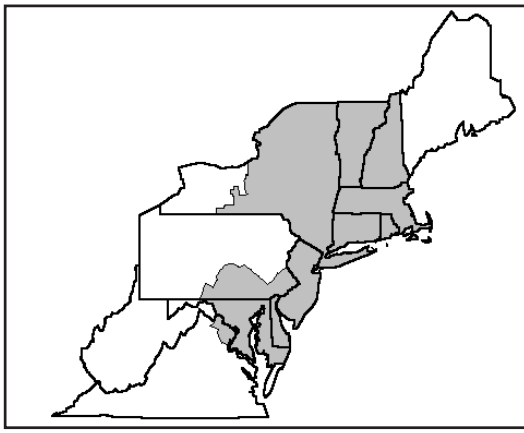
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	828,018,577	$9.17	75,929,303.51	
Butterfat	17,699,280	1.1915	21,088,692.12	
Less: Location Adjustment to Handlers			(2,550,500.44)	$94,467,495.23
Class II— Butterfat	28,605,758	1.2125	34,684,481.65	
Nonfat Solids	33,913,903	0.7356	24,947,067.04	59,631,548.69
Class III– Butterfat	21,096,094	1.2055	25,431,341.31	
Protein	17,634,878	2.5480	44,933,669.16	
Other Solids	34,188,672	(0.0124)	(423,939.55)	69,941,070.92
Class IV– Butterfat	4,628,957	1.2055	5,580,207.69	
Nonfat Solids	13,608,438	0.6605	8,988,373.31	14,568,581.00
Total Classified Value				**$238,608,695.84**
Add: Overage—All Classes				18,363.27
Inventory Reclassification—All Classes				148,382.11
Other Source Receipts	85,942			989.98
Less: Producer Component Valuations				(235,177,695.07)
Subtotal				**$3,598,736.13**
Add: Location Adjustment to Producers				9,879,144.31
One-half Unobligated Balance—Producer Settlement Fund				1,122,869.15
Total Pool Milk & Aggregate Value	2,016,909,799			14,600,749.59
Less: Producer Settlement Fund—Reserve				(885,763.05)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$0.68**		13,714,986.54
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$12.46**		

* 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 2003 *Federal Order No. 1*

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

August Pool Price Calculation

The August 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $13.72 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The August producer price differential (PPD) at Suffolk County was -$0.08 per hundredweight.

The August statistical uniform price was $1.26 per hundredweight above July's price. The August PPD was 76 cents below the previous month's.

Negative PPD

This is the first time in the Northeast Order that the PPD was negative in all differential zones. Despite appearing contradictory, a negative PPD does not indicate a loss of money for producers, but rather it signifies that producers are receiving a higher amount for their components (protein, butterfat, and other solids) than the pool generated.

Remember, a federal order pool is a pool of money generated by the volume and value of milk used in Classes I, II, III, and IV. Producers are paid for their protein, butterfat, and other solids components from the pool at the same dollars-per-pound value as Class III milk. Any remaining value in the pool generated by Classes I, II, and IV is returned to producers in the PPD. In August, the value for protein was a record high $3.1438 per pound reflecting the sharp increase in cheese prices that occurred in late June and July. With the producer component valuations (producer payout for protein, butterfat, and other solids) higher than the total classified value (pool value based on usage of milk by class) the result was a negative PPD necessary to balance the pool.

Again, this result did not diminish the total value of the pool payable to producers, only the breakdown in how the payment to producers was made. A negative PPD can only occur in a period of significant and rapid price increases when, due to how class prices are calculated, some of the class prices reflect the commodity price increases and some do not. By next month's (September) pool the alignment of class prices will likely be back to a normal $3.00 plus spread between the Class I price and Class III price (as opposed to the August spread of only $0.42) thereby increasing the classified value of the pool and generating a positive PPD.❖

Pool Summary

- A total of 16,157 producers were pooled under the Order with an average daily delivery per producer of 3,880 pounds.
- Pooled milk receipts totaled 1.943 billion pounds, a decrease of 3.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.9 percent of total milk receipts, an increase of 3.0 percentage points from July.
- The average butterfat test of producer receipts was 3.57 percent.
- The average true protein test of producer receipts was 2.91 percent.
- The average other solids test of producer receipts was 5.66 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.9	871,730,669
Class II	20.3	395,270,444
Class III	28.3	549,932,511
Class IV	6.5	126,423,698
Total Pooled Milk		1,943,357,322

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	3.1438	1.9021
Butterfat Price	1.2514	1.0701
Other Solids Price	0.0026	0.0177

Class Price Factors

	2003	2002
	$/cwt	
Class I	14.22	13.73
Class II	10.81	11.07
Class III	13.80	9.54
Class IV	10.14	10.41

Hearing on Reclassification Proposals

A hearing to consider proposals to amend all federal milk marketing orders will convene on October 21 in Alexandria, Virginia. Proponents have requested that the proposals be handled on an emergency basis.

One of the proposals to be considered would reclassify evaporated milk and sweetened condensed milk in consumer-type packages from Class III products to Class IV products. Another proposal would reclassify bulk ending inventory each month to the lower-priced class of Class III or Class IV.

The hearing will be held at the Holiday Inn and Suites Alexandria (Historic District), 625 First Street, Alexandria, Virginia, 22314, convening at 8:30 a.m. The hearing notice can be accessed via a link on our website at www.fmmone.com or by contacting the Albany office.❖

No MILC Payment in September

There will be no Milk Income Loss Contract Program (MILC) payment issued for milk produced in September 2003. MILC payments occur in months when the price of Class I milk in Suffolk County, Massachusetts (Boston), under the Northeast Milk Marketing Order, falls below $16.94 per hundredweight. The Class I price for September is $16.96 per hundredweight.

The program became effective October 2001 and payments began December 2001 when the Class I price dropped below the threshold of $16.94. With the Class I price remaining below this level, payments have been consistent through August 2003 with annual production (October through September) up to 2.4 million pounds.

Since the program began, over 1 billion dollars have been paid to dairy producers nationwide; the average monthly payment was $1.35 per hundredweight.❖

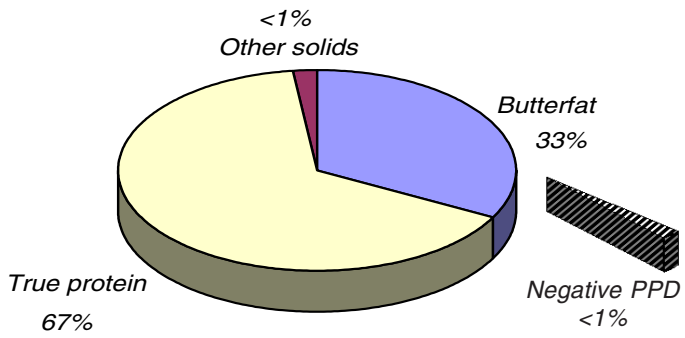
Gross Payment Comparison

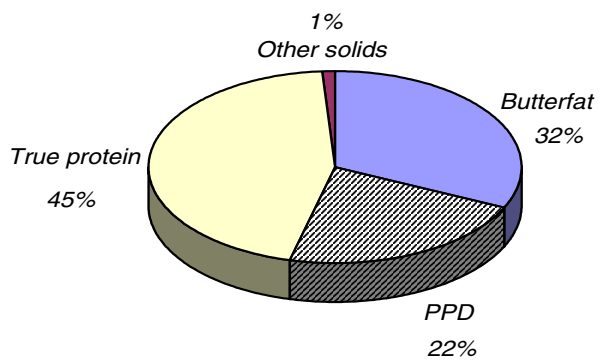
In the Northeast Order, producers are paid on a multiple component pricing (MCP) basis. This means that producers are paid on the pounds of butterfat, "true" protein, and other solids in their milk. A fourth factor called the producer price differential (PPD) also contributes to the total pay price. The PPD is the producer's per hundredweight share of the value generated by the market wide pool. In August 2003, the producer component valuations were higher than the total classified value, resulting in a negative PPD.

In the "Composition" example shown, 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 August 2003 was greater than in August 2002, even though the 2002 PPD was $2.70 higher. The reported gross price does not include any deductions for hauling, cooperative dues, or any premiums or quality payments. In 2003, 100 percent of the total gross payment for the example was derived from components (see chart). In 2002, 78 percent of the total gross payment for the example was derived from components. Butterfat's proportion of the total gross payment was roughly the same in both months. The protein portion of the total gross payment increased from 45 percent to 66 percent in August 2003.❖

Composition of Total Gross Payment*

	August 2003				August 2002			
	Test percent	Pounds	Price per pound	Gross dollars	Test percent	Pounds	Price per pound	Gross dollars
Butterfat	3.57	3570 x	1.2514 =	$4,467.50	3.54	3,540 x	1.0701 x	$3,788.15
True protein	2.91	2910 x	3.1438 =	$9,148.46	2.89	2,890 x	1.9021 x	5,497.07
Other solids	5.66	5660 x	0.0026 =	$14.72	5.68	5,680 x	0.0177 x	100.54
PPD		1,000 cwt	-0.08	-$80.00		1,000 cwt	2.62	2,620.00
Total gross payment				$13,550.68				$12,005.76
Gross price per cwt				**$13.55**				**$12.01**





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

MARKET SITUATION

Whey Price Increasing, Other Solids Positive

After 4 months of a negative other solids price, the August 2003 other solids price was a positive $0.0026 per pound. Whenever the National Agricultural Statistics Service (NASS) average monthly dry whey price goes above $0.159, the other solids price will be positive. The August NASS dry whey price was $0.1615 per pound. The formula used to calculate the other solids price is:

Other Solids = (NASS Dry Whey Price - 0.159) x 1.03

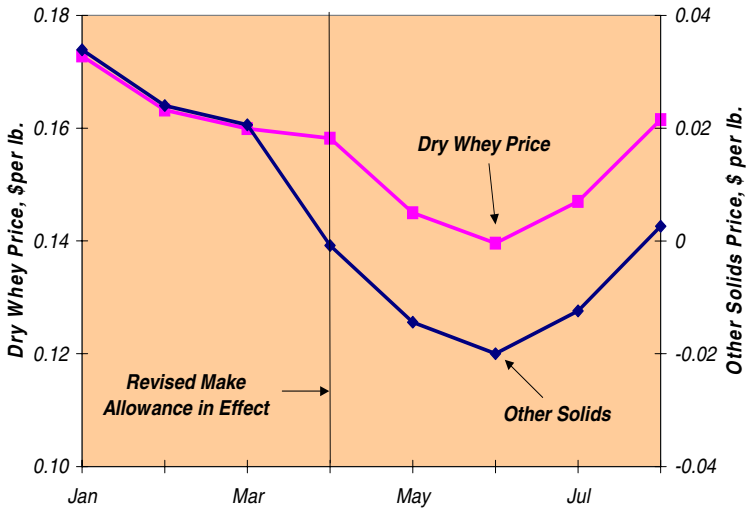
Chart 1 shows the relationship between the dry whey price and the other solids price and the change in the make allowance that occurred in April.

The dry whey price dropped from $0.1810 the week of January 11, 2003, to a low of $0.1368 the week of June 14 (see Chart 2). The dry whey price has risen steadily since and, at $0.1705 per pound for September 6, has regained almost 80 percent of the value it lost during the first half of 2003. The 3.37-cent increase in the dry whey price increases the Class III price by about 20 cents.

Tightening milk supplies, lower cheese production, and the assessing of fall needs has tightened stocks and has put upward pressure on the dry whey price.❖

Chart 1

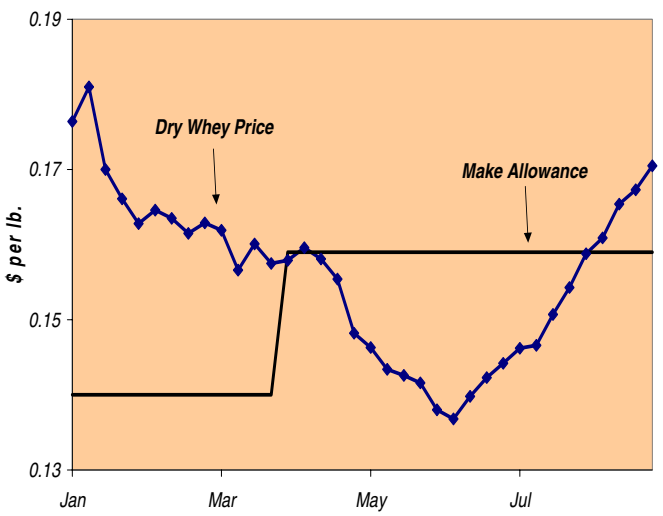
2003 Dry Whey and Other Solids Price*



*Monthly Average

Chart 2

2003 NASS Weekly Dry Whey Price



Milk Movements

During August, bulk milk shipments received by handlers pooled on the Northeast Order that came from handlers pooled on other federal orders totaled 11.7 million pounds. Bulk shipments to other federal order plants from handlers regulated under the Northeast Order totaled 26.0 million pounds. Net bulk milk movements equaled 14.3 million pounds more shipments (total shipments less total receipts). During August 2002, net movements totaled 1.5 million pounds more receipts; in August 2001 net movements equaled13.0 million pounds more shipments.

Orders Involved

Federal orders involved in these movements include Appalachian (Order No. 5), Florida (Order No. 6), Southeast (Order No. 7), Mideast (Order No. 33), and Upper Midwest (Order No. 30). During August 2003, milk was received from Orders No. 5, 30, and 33. Shipments went to Orders No. 5, 6, 7, and 33.

Breakdown of Movements to South

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 (5, 6, and 7). In August 2003, net movements equaled 18.2 million pounds more shipments than receipts. During the same month in 2002, the net amount was 9.7 million pounds more shipments than receipts to the southeastern United States. In August 2001, shipments heading south outweighed receipts by nearly 8.9 million pounds.❖

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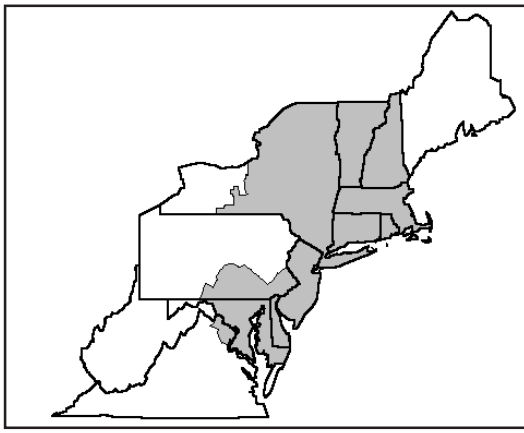
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—Skim	853,194,631	$10.32	88,049,685.92	
Butterfat	18,536,038	1.2179	22,575,040.68	
Less: Location Adjustment to Handlers			(2,681,785.78)	$107,942,940.83
Class II— Butterfat	26,865,159	1.2584	33,807,116.07	
Nonfat Solids	32,738,611	0.7378	24,154,547.20	57,961,663.27
Class III– Butterfat	19,510,783	1.2514	24,415,793.89	
Protein	16,012,860	3.1438	50,341,229.28	
Other Solids	31,020,815	0.0026	80,654.11	74,837,677.28
Class IV– Butterfat	4,454,082	1.2514	5,573,838.21	
Nonfat Solids	10,851,629	0.6638	7,203,311.32	12,777,149.53
Total Classified Value				**$253,519,430.91**
Add: Overage-All Classes				74,229.68
Inventory Reclassification-All Classes				102,113.31
Other Source Receipts	64,705			239.94
Less: Producer Component Valuations				(264,995,225.09)
Subtotal				**($11,299,211.25)**
Add: Location Adjustment to Producers				9,382,867.06
One-half Unobligated Balance-Producer Settlement Fund				1,269,593. 59
Total Pool Milk & Aggregate Value	1,943,422,027			(646,750.60)
Less: Producer Settlement Fund-Reserve				(907,986.98)
Producer Price Differential @ Suffolk County, MA (Boston)		**($0.08)**		(1,554,737.58)
Statistical Uniform Price @ Suffolk County, MA (Boston)		**$13.72**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

September 2003 Federal Order No. 1

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

September Pool Price Calculation

The September 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $15.01 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The September producer price differential (PPD) at Suffolk County was $0.71 per hundredweight.

The September statistical uniform price was $1.29 per hundredweight above August's price and the highest SUP since November 2001. The September PPD was 79 cents above the previous month's. The spread between the Class I and Class III prices increased to $2.66, compared with 42 cents in August. This increase in the spread between the classes resulted in a higher pool valuation. Even though producer component values grew, the increased class valuation resulted in a higher PPD, bringing it back to a positive level at the Boston differential zone. Producers shipping to plants located in zones having a Class I differential of $2.50 or less would still see a negative PPD.

Once again, the protein price set a new record high. Even though the protein test was not the highest, the September producer protein value was the largest reported since federal order reform began.❖

Hearing Proposal Update

The USDA extended the time for submitting additional proposals to be considered in connection with a hearing request currently under review that would amend the fluid milk product definition in all federal milk marketing orders. The deadline for submitting proposals is extended from September 19, 2003, to **January 30, 2004**.

For additional proposal information, visit our website at www.fmmone.com or call the Albany Office.❖

National Dairy Board Appointees

The USDA recently named seven new members and reappointed five incumbents to the National Dairy Promotion and Research Board. All will serve 3-year terms from November 1, 2003, through October 31, 2006.

In the Northeast, Lewis Gardner from Galeton, PA, (region 11) and Edgar A. King from Schuylerville, NY, (region 12) were reappointed to serve second terms.❖

Pool Summary

- A total of 16,113 producers were pooled under the Order with an average daily delivery per producer of 3,894 pounds.
- Pooled milk receipts totaled 1.882 billion pounds, an increase of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 49.1 percent of total milk receipts, an increase of 4.2 percentage points from August.
- The average butterfat test of producer receipts was 3.64 percent.
- The average true protein test of producer receipts was 3.00 percent.
- The average other solids test of producer receipts was 5.67 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	49.1	924,518,591
Class II	20.5	386,808,589
Class III	26.4	496,677,380
Class IV	4.0	74,430,302
Total Pooled Milk		1,882,434,862

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	3.3180	2.0646
Butterfat Price	1.2218	1.0099
Other Solids Price	0.0170	0.0367

Class Price Factors

	2003	2002
	$/cwt	
Class I	16.96	13.71
Class II	10.76	10.91
Class III	14.30	9.92
Class IV	10.05	10.22

Dairy Programs Forward Contract Study

USDA has recently released an update to the study of the Dairy Forward Pricing Pilot Program and its effect on milk prices paid to producers. 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 program-eligible milk that is under forward contract.

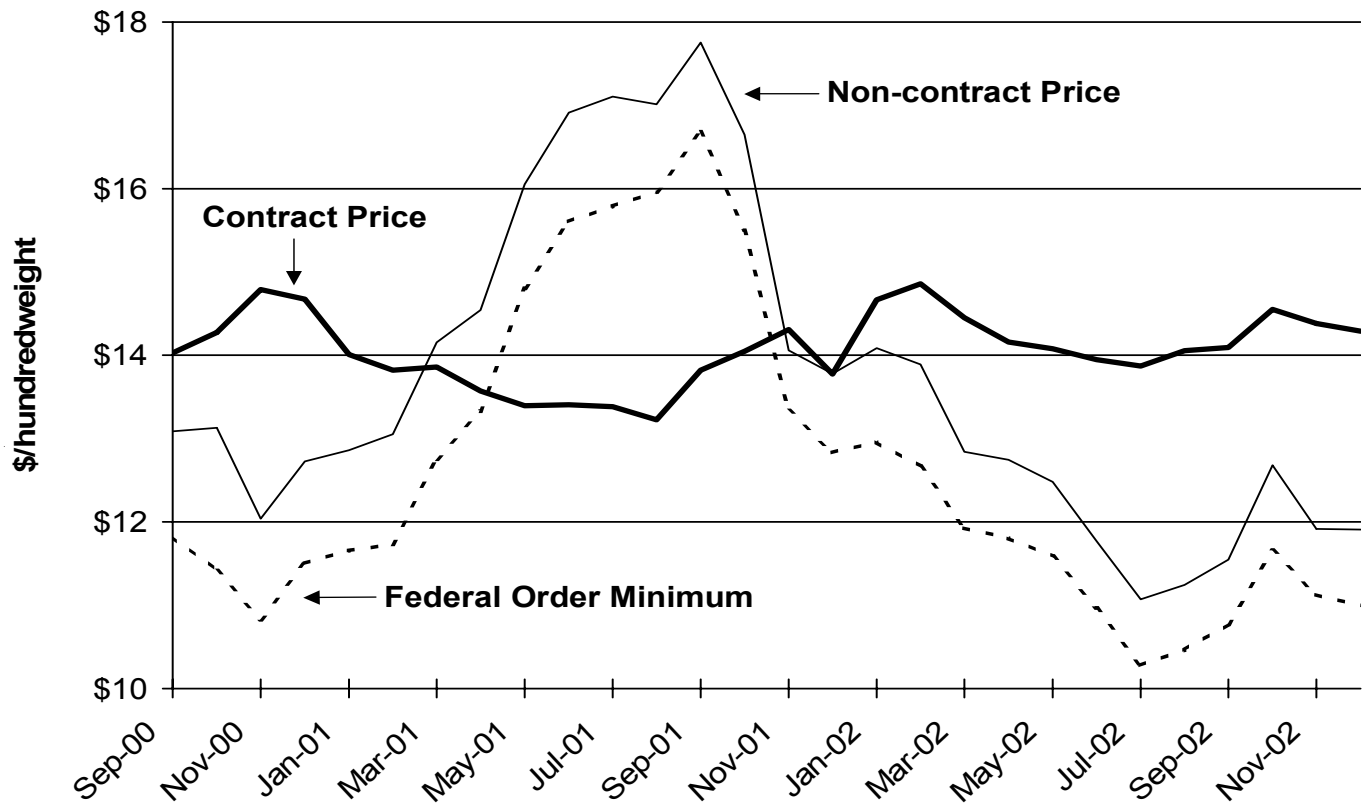
The study calculated milk prices received by producers under fixed forward contracts versus what they would have received if they had not opted for a fixed-contract price for the period September 2000 through March 2002. In this latest update, data through December 2002 was added. The average monthly price received for contract milk was $14.06, ranging from a low of $13.23 to a high of $14.86. The average monthly price of the same milk, had it not been under contract, was $13.68, ranging from a low of $11.07 to a high of $17.75. The stable price benefit of forward contracting is clear when comparing a price range of $1.63 for farms that contracted and a price range of $6.68 for those that did not (see chart).

Over the 28 months covered in the study to date, contract prices were below non-contract prices for 9 months. Based on the prices reported in the study, a hypothetical farm producing 100,000 pounds per month that contracted would have received $10,687 more during the 28-month study period than an identical farm that did not. In the first 14 months, the contracting farm would have received $12,778 less than the farm that did not contract; however, in the last 14 months, the contracting farm received $23,465 more than the non-contract farm.

Participation in the program has been small when considered in terms of number of producers, number of handlers, or milk quantities. Participation by producers has averaged 504 per month, peaking in April 2001 with 1,141 producers, but dropping off sharply in 2002, reaching a low point of 137 producers in February 2002. The program averaged 191 participants since May 2002. On average, 76 percent of participants are farms producing less than 400,000 pounds per month. Almost 12 percent of participants produce one million pounds or more per month.

Information from this ongoing study for January 2003 through June 2003 is expected to be available in January of 2004, and information for the rest of 2003 will be available in July 2004. Further updates are expected in January and July of 2005.❖

Average Prices at Test: Contract Price, Non-contract Price, and Federal Order Minimum, September 2000–December 2002



Source: *USDA–AMS–Dairy Programs.*

MARKET SITUATION

CCC Purchases Increase Again

During the marketing year (MY) October 1, 2002, through September 30, 2003, the Commodity Credit Corporation (CCC) purchased over 4.9 billion pounds of dairy products (on a total solids milk equivalent basis) under the dairy price support program. This was an increase of 5.3 percent from last year and the largest volume purchased since MY 1991.

The accompanying table shows purchases since 1991. For the first time in 8 years, the CCC purchased butter under the program. This occurred during the third week of January. Weekly butter purchases were common for the next 5 months, but none have taken place since mid-June. Some cancellations occurred with the most recent near the end of July. During the last 2 months of the MY, there was no butter activity. Nearly 89 percent of all butter purchases were bulk, the rest being packaged.

Cheese purchases increased 455 percent from the last MY. Purchase activity occurred nearly every week of the MY, compared to only the last quarter of the previous MY. Of the total cheese purchases, 77 percent were process cheese. During the last MY, cheese purchases were about equally made up of block, barrel, and process cheese.

Purchases of nonfat dry milk (NFDM) dropped 3.9 percent during MY 2002–03. Less than 1 percent of the total NFDM purchased under the program was fortified, the bulk being nonfortified. During MY 2001–02, all NFDM purchased by the CCC was nonfortified. Uncommitted inventories remained at 1.18 billion pounds. About 4 percent of this total was fortified NFDM. There were no uncommitted inventories of butter or cheese at the end of the MY.❖

CCC Purchases of Dairy Products Under the Support Program, 1991–2003*

MY# Ending	Butter	Cheese	NFDM	Milk Equivalent Total
	(million pounds)			
1991	442.8	76.9	269.5	6,539.7
1992	403.5	56.3	9.4	4,156.2
1993	327.6	4.9	18.0	3,055.2
1994	168.6	0.0	50.8	1,841.1
1995	26.4	0.0	24.6	406.2
1996	0.0	0.0	0.0	0.0
1997	0.0	1.9	31.9	244.1
1998	0.0	0.0	121.3	857.6
1999	0.0	0.0	186.1	1,315.9
2000	0.0	6.9	490.0	3,532.1
2001	0.0	1.1	398.9	2,927.7
2002	0.0	7.4	653.2	4,690.0
2003	11.4	41.1	628.0	4,937.3

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

Pool Summary for All Federal Orders, January–September, 2002–2003

Federal Order Number	Federal Order Name	Total Producer Milk 2002	Total Producer Milk 2003	Change	Producer Price Differential# 2002	Producer Price Differential# 2003	Statistical Uniform Price#* 2002	Statistical Uniform Price#* 2003
		pounds		percent	dollars per hundredweight			
1	Northeast	19,322,345,208	18,240,550,624	-5.6	2.22	1.56	12.74	12.37
5	Appalachian	5,112,940,426	4,728,168,440	-7.5	N/A	N/A	13.32	12.81
6	Florida	2,034,564,817	2,148,297,822	5.6	N/A	N/A	14.74	13.91
7	Southeast	6,125,994,893	5,262,320,505	-14.1	N/A	N/A	13.09	12.71
30	Upper Midwest	15,228,859,638	13,192,668,555	-13.4	0.56	-0.03	11.08	10.79
32	Central	13,896,212,378	11,230,271,240	-19.2	0.87	0.32	11.39	11.13
33	Mideast	13,585,145,897	11,776,900,463	-13.3	1.17	0.53	11.69	11.34
124	Pacific Northwest	5,903,184,675	4,915,287,486	-16.7	0.85	0.01	11.37	10.82
126	Southwest	7,388,219,451	7,059,472,808	-4.4	1.99	1.15	12.51	11.96
131	Arizona-Las Vegas	2,293,673,412	2,323,377,278	1.3	N/A	N/A	11.59	11.29
135	Western	4,199,261,561	3,752,672,672	-10.6	0.70	0.08	11.26	10.89
All Market Total/Average		95,090,402,356	84,629,987,893	-11.0	1.19	0.52	12.25	11.82

Price at designated order location; 9-month simple average. * Price at 3.5% butterfat.
N/A = Not applicable; order prices on skim and butterfat basis.

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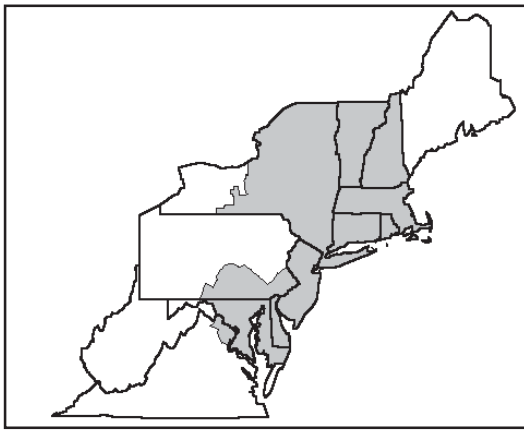
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I— Skim	905,470,039	$12.76	115,537,976.98	
Butterfat	19,048,552	1.3269	25,275,523.65	
Less: Location Adjustment to Handlers			(2,880,096.33)	$137,933,404.31
Class II— Butterfat	26,339,222	1.2288	32,365,635.97	
Nonfat Solids	32,417,122	0.7433	24,095,646.80	56,461,282.77
Class III– Butterfat	18,607,095	1.2218	22,734,148.68	
Protein	14,865,230	3.3180	49,322,833.17	
Other Solids	28,028,434	0.0170	476,483.40	72,533,465.25
Class IV– Butterfat	4,478,504	1.2218	5,471,836.15	
Nonfat Solids	6,287,990	0.6644	4,177,740.57	9,649,576.72
Total Classified Value				**$276,577,729.05**
Add: Overage—All Classes				40,540.39
Inventory Reclassification—All Classes				88,757.95
Other Source Receipts	52,649			1,159.62
Less: Producer Component Valuations				(272,590,086.54)
Subtotal				**$4,118,100.47**
Add: Location Adjustment to Producers				9,002,388.79
One-half Unobligated Balance—Producer Settlement Fund				1,138,031.64
Total Pool Milk & Aggregate Value	1,882,487,511			14,258,520.90
Less: Producer Settlement Fund—Reserve				(892,859.50)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$0.71**		13,365,661.40
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$15.01**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2003 Federal Order No. 1

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

October Pool Price Calculation

The October 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $15.21 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The October producer price differential (PPD) at Suffolk County was $0.82 per hundredweight.

The October statistical uniform price was 20 cents per hundredweight above September's price and the highest SUP since November 2001. The October PPD was 11 cents above the previous month's. The spread between the Class I and Class III prices increased to $3.13. This increase in the spread between the classes resulted in a higher pool valuation. Even though producer component values grew, the increased class valuation resulted in a higher PPD. Producers shipping to plants located in zones having a Class I differential of $2.40 or less would still see a negative PPD.

The producer protein test set a new record at 3.10 percent. Even though the protein price was not the highest, the October producer protein value was the largest reported since federal order reform began.❖

Processor Promotion Board Seeks Nominations

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 1, 2004.

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 1 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) is one of the regions with an opening.

For nominating forms and procedures, contact Promotion and Research Branch, Dairy Programs, AMS, MRP, USDA, 1400 Independence Ave., SW, Stop 0233, Room 2958-S, Washington, DC 20250-0233 or by telephone at (202) 720-6909. Blank forms are available on the Dairy Promotion and Research Branch's website at www.ams.usda.gov/dairy/dairyrp.htm. Nomination forms should be submitted by December 5, 2003.❖

Pool Summary

- A total of 15,911 producers were pooled under the Order with an average daily delivery per producer of 3,897 pounds.
- Pooled milk receipts totaled 1.923 billion pounds, a decrease of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 49.7 percent of total milk receipts, an increase of 0.6 percentage points from September.
- The average butterfat test of producer receipts was 3.75 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.66 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	49.7	955,270,118
Class II	20.1	385,636,315
Class III	25.9	498,339,695
Class IV	4.3	83,562,617
Total Pooled Milk		1,922,808,745

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	3.2815	2.1839
Butterfat Price	1.2553	1.0726
Other Solids Price	0.0311	0.0755

Class Price Factors

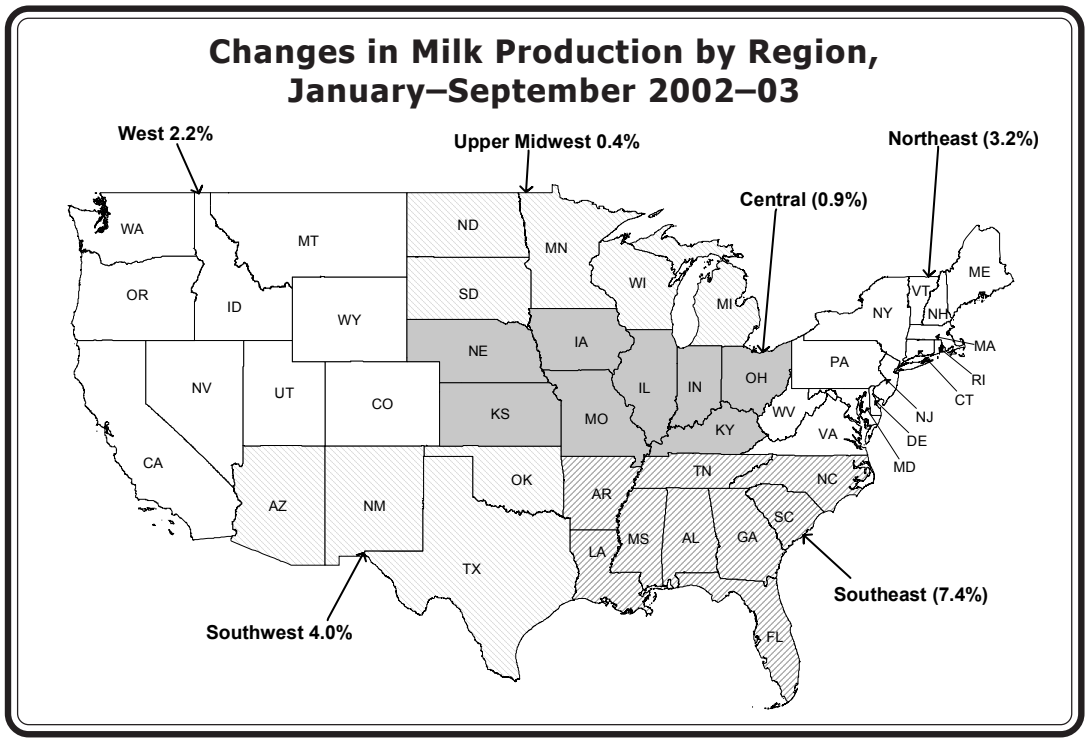
	2003	2002
	$/cwt	
Class I	17.52	13.40
Class II	10.84	11.12
Class III	14.39	10.72
Class IV	10.16	10.50

Third Quarter Milk Production Update

National milk production is up a slight 0.1 percent for the first 9 months of 2003 when compared to the same period in 2002. During the first quarter, national production was up 1.3 percent; the second quarter it declined 0.3 percent; and the third quarter it dropped 0.6 percent.

The top twenty milk producing states as reported by the National Agricultural Statistics Service (NASS) showed a combined increase of 0.5 percent for the 9-month period. NASS includes Missouri, Virginia, and Kentucky (combined decline of 7.0 percent) in their top twenty survey, but these states have been displaced by Colorado, Kansas, and Oregon (combined increase of 3.7 percent) when ranked by actual production by state for 2003.

The top ten milk producing states had a combined increase of 1.1 percent for the comparison period. Idaho had the largest gain with 7.4 percent, New Mexico followed with 5.6 percent, and Texas reported 5.4 percent. California's growth has slowed from last year with only 1.5 percent; New York's production has declined 1.7 percent; and Pennsylvania continues to show a decline with a drop of 3.0 percent.



The accompanying map shows milk production changes broken down by regions. The region with the greatest increase was the Southwest with 4.0 percent. The West followed with a 2.2 percent increase and the Upper Midwest reported an increase of 0.4 percent. The Southeast continued to lose milk production declining 7.4 percent. The Northeast followed with a drop of 3.2 percent and the Central region was down 0.9 percent. In the Northeast, the combined New England states (CT, MA, ME, NH, RI, and VT) posted a decline of 4.2 percent and the Middle Atlantic states (DE, MD, VA, and VW) had a combined drop of 7.0 percent.❖

MILC Payments

As of November 6, 2003, Milk Income Loss Contract (MILC) payments made to U.S. dairy farmers during the October 2002–September 2003 fiscal year (FY 2003) totaled $1.094 billion. The Northeast's share of that total was $276 million, or 25.2 percent. During the previous fiscal year, approximately $711 million were paid out under the program; $179 million were paid to farmers in Northeast states (25.2 percent).

New York led all Northeast states in total payments received with $103 million, followed by Pennsylvania at $99 million, and Vermont with $25 million. The accompanying table shows payments for selected states in the Northeast.

Wisconsin led all the nation with farmers receiving a total of $228 million in payments, roughly 21 percent of the national total. New

(continued on page 3)

Total MILC Payments–FY 2003
(Data as of November 6, 2003)

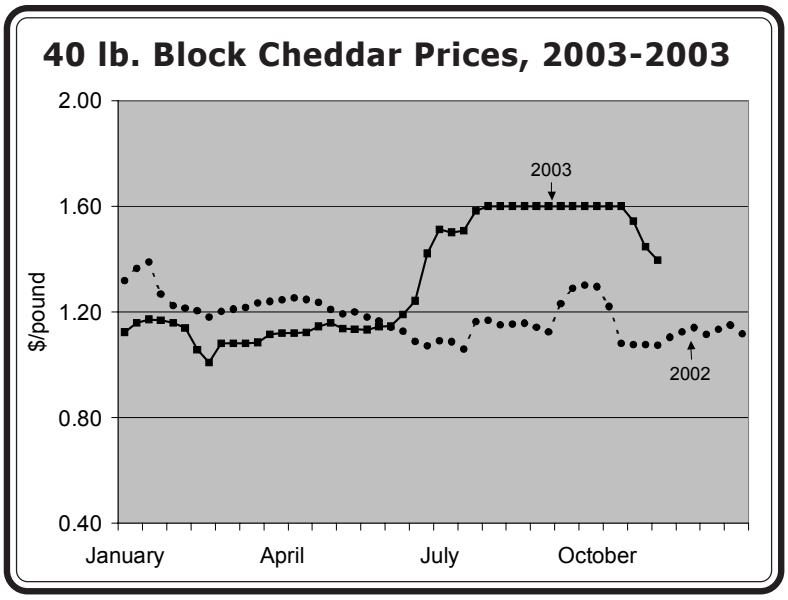
State	Total Payments (in millions)
Maine	$6.2
Maryland	10.9
New York	103.2
Pennsylvania	98.5
Vermont	24.5
Northeast States Total	276.1
National Total	$1,093.8

Source: USDA, Farm Service Agency
Note: Other states in the "Northeast Total" include CT, DE, MA, NH, NJ, RI, and VA

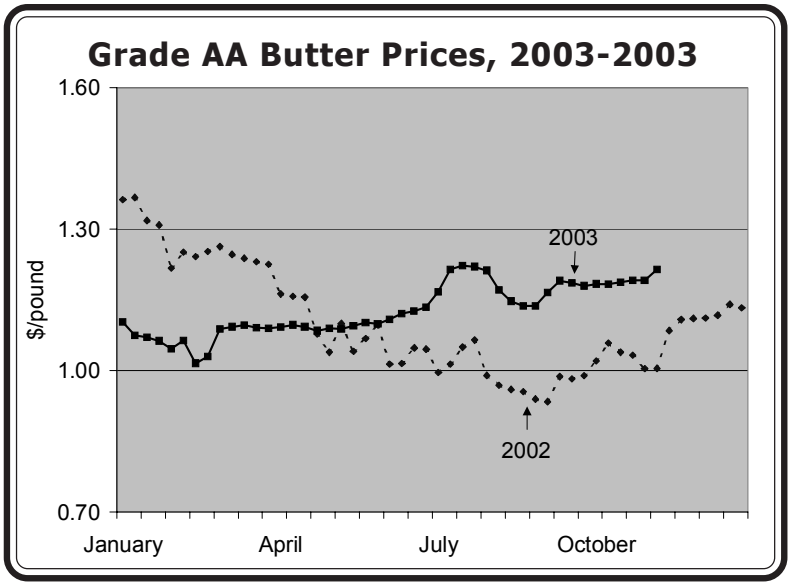
MARKET SITUATION

Commodity Markets

After twelve weeks at $1.6000 per pound, the average weekly price of 40 lb. block Cheddar on the Chicago Mercantile Exchange (CME) has declined three consecutive weeks to $1.3945 per pound for the week of November 3 (and currently averaging $1.3600 per pound as of November 19). According to USDA's *Dairy Market News*, cheese demand is weak to uneven with factors such as strikes at some grocery chains, Thanksgiving needs, and concerns about inventory value loss impacting buyers' decisions. Some buyers that have maintained minimal inventory need to keep purchasing. The arrival of cold weather is boosting fat and protein tests, leading to higher cheese yields as well. The decline in cheese prices has some manufacturers scaling back production until the direction of prices becomes clearer. CME 40 lb. block Cheddar cheese has been selling for a higher price in 2003 than 2002 since the week of June 9, 2003.



The average weekly Grade AA butter price at the CME has remained relatively stable since September 15, hovering between the $1.1800 per pound to $1.19 per pound. Demand for butter is fairly strong, as Thanksgiving orders are being filled. In many cases, fresh butter production is not keeping pace with demand, and butter inventories have been declining. The decline in butter stocks since August 1 totaled 103.2 million pounds compared with 54.9 million pounds during the same period last year. Butter production trails that of last year. September's 72.8 million pounds of production was 21.6 percent lower than a year ago. Retail sales have been somewhat slow, presumably due to buyers waiting for sales promotions. CME grade AA butter has been selling for a higher price in 2003 than 2002 since the week of May 19, 2003.❖



MILC Payments *(continued from page 2)*

York and Pennsylvania ranked second and third, respectively. Minnesota was fourth with $90 million paid.

The average payment for FY 2003 fiscal year was $1.59 per hundredweight during the 11 months that a payment was made. No payment was made during the month of September 2003 as the Boston Class I price exceeded the $16.94 per hundredweight trigger price. The highest payment made was $1.82 per hundredweight, recorded in April 2003. As the program headed into the new fiscal year, no payments were made in October and November as the Boston Class I price was $17.52 and $17.62, respectively. As prices have begun to decline, payments may return in the month of December 2003. Based on current futures prices, payments could be about $0.20 per hundredweight in December 2003 and $0.90 per hundredweight in January 2004.

The program is authorized under the 2002 Farm Bill to cover the period of December 1, 2001, through September 30, 2005, and has no set funding level.❖

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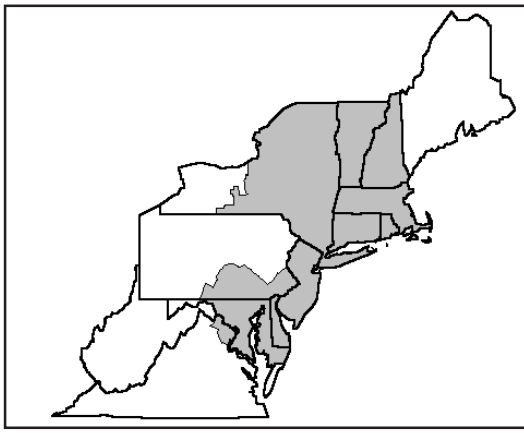
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	935,429,323	$13.68	127,966,731.39	
Butterfat	19,840,795	1.2332	24,467,668.39	
Less: Location Adjustment to Handlers			(2,985,168.01)	$149,449,231.74
Class II— Butterfat	27,448,437	1.2623	34,648,162.05	
Nonfat Solids	32,541,367	0.7400	24,080,611.58	58,728,773.63
Class III– Butterfat	19,696,373	1.2553	24,724,857.02	
Protein	15,427,820	3.2815	50,626,391.37	
Other Solids	28,123,283	0.0311	874,634.12	76,225,882.51
Class IV– Butterfat	5,062,767	1.2553	6,355,291.42	
Nonfat Solids	7,126,528	0.6642	4,733,439.92	11,088,731.34
Total Classified Value				**$295,492,619.22**
Add: Overage—All Classes				84,018.00
Inventory Reclassification—All Classes				225,573.96
Other Source Receipts	81,239			2,575.28
Less: Producer Component Valuations				(289,389,021.41)
Subtotal				**$6,415,765.05**
Add: Location Adjustment to Producers				9,159,565.95
One-half Unobligated Balance—Producer Settlement Fund				964,743.41
Total Pool Milk & Aggregate Value	1,922,889,984			16,540,074.41
Less: Producer Settlement Fund—Reserve				(772,376.45)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$0.82**		15,767,697.96
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$15.21**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

November 2003 Federal Order No. 1

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

November Pool Price Calculation

The November 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.95 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The November producer price differential (PPD) at Suffolk County was $1.48 per hundredweight.

November's statistical uniform price was 26 cents per hundredweight below October's price. Even though the Class I price was the highest for this year, average daily Class I sales were below average. A higher volume of milk was utilized in Class IV than in the past 3 months. This allocation resulted in a decreased pool value as more milk was priced at the lower class values. The November PPD was 66 cents above last month's and should be a positive value to all producers normally shipping within the Northeast milkshed.❖

Payment Dates to Producers

The calendar below shows the dates for partial and final payments to producers that are not members of cooperatives. As required by 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 payment dates could change pending the outcome of the Northeast Order hearing held September 2002.❖

Northeast Order Required Producer Payments

2004 Month Milk Produced	Payment Due			
	Partial		Final	
	Day	Date	Day	Date
January	Monday	1/26/04	Wednesday	2/18/04
February	Thursday	2/26/04	Wednesday	3/17/04
March	Friday	3/26/04	Monday	4/19/04
April	Monday	4/26/04	Tuesday	5/18/04
May	Wednesday	5/26/04	Thursday	6/17/04
June	Monday	6/28/04	Monday	7/19/04
July	Monday	7/26/04	Tuesday	8/17/04
August	Thursday	8/26/04	Friday	9/17/04
September	Monday	9/27/04	Tuesday	10/19/04
October	Tuesday	10/26/04	Wednesday	11/17/04
November	Friday	11/26/04	Friday	12/17/04
December	Monday	12/27/04	Wednesday	1/19/05

Pool Summary

- A total of 15,829 producers were pooled under the Order with an average daily delivery per producer of 3,916 pounds.
- Pooled milk receipts totaled 1.86 billion pounds, a decrease of less than one half of one percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 47.3 percent of total milk receipts, a decrease of 2.4 percentage points from October.
- The average butterfat test of producer receipts was 3.75 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.67 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	47.3	878,809,270
Class II	18.1	336,862,149
Class III	27.2	505,939,426
Class IV	7.4	138,400,656
Total Pooled Milk		1,860,011,501

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	2.9267	1.8469
Butterfat Price	1.2877	1.0923
Other Solids Price	0.0368	0.0850

Class Price Factors

	2003	2002
	$/cwt	
Class I	17.62	13.85
Class II	10.99	11.26
Class III	13.47	9.84
Class IV	10.30	10.58

Producers Exceed MILC Cap

The Milk Income Loss Contract Program (MILC) caps payments to farmers at the first 2.4 million pounds produced during the October 1, 2002–September 30, 2003, Federal budget fiscal year. Producers have the option of starting payments during a month of their choosing. Once payments start, the producer receives payment in any subsequent month that the Class I price in Boston is below $16.94 per hundredweight until they reach the 2.4 million pound cap. An estimate of how many producers under the Order were impacted by this cap was made assuming all producers opted in to the program during the first month of the fiscal year (October 2002). The figures are derived from Northeast Order payroll data as submitted by Northeast Order handlers.

Number of Producers Exceeding MILC Cap During Fiscal Year 2002–03

Period	No. of Producers: Northeast Order	NY	PA	VT	Avg. MILC Payment
Oct.–Dec. 2002	217	144	18	33	$1.47
Jan.–Mar. 2003	412	209	95	50	$1.57
Apr.–Jun. 2003	568	222	161	72	$1.80
Jul.–Sep. 2003	633	245	206	63	$1.49
Total/Avg. FY '02–'03	1,830	820	480	218	$1.59

During FY 2003, 1,830 producers exceeded the cap at some point during the year. The accompanying table shows how many producers reached the cap during each quarter and the average MILC payment during that period. For producers that may exceed the cap, choosing the month to begin payments is important. For a producer who would exceed the cap during a 3-month period, beginning payments in April 2003 compared to beginning payments in October 2002, would have meant an additional $7,920 based on the average MILC payment for that quarter. Looking to FY 2004, estimated average quarterly MILC payments will be $1.03 in the first quarter, $1.12 during the second quarter, $0.66 during the third quarter, and $0.51 during the final quarter. These estimates are based on Chicago Mercantile Exchange futures prices.

Of the 1,820 producers who exceeded the cap in FY 2003, 820 were from New York, 480 from Pennsylvania, and 218 from Vermont. Producers in these three states represented 83 percent of producers affected by the cap in the Northeast. ❖

"Tanker Load Per Day" Farms by State

During May 2003 (verified payroll data), there were 83 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 186 million pounds on the Order in May 2003. This number of farms producing at least 1.5 million pounds a month increased from 53 in 2001 and 63 in 2002. This represents an almost 32 percent increase in farms this size pooled on the Northeast Order since 2001. These "large" farms represented 8.5 percent of the total milk pooled on the Northeast Order in May 2003, up from 6 percent in 2002 and 5 percent in 2001.

These 83 farms represented just 0.5 percent of the 16,145 farms pooled on the Northeast Order. Roughly 82 percent of farms pooled on the Order marketed between 30,000 and 249,999 pounds of milk during May.

Most of the "large" farms pooled on the Order were located in New York. They totaled 57 farms and pooled 132 million pounds. Most of the growth in these "large" size farms in the Northeast has occurred in New York. Of the 30 additional "large" farms since 2001, 25 of them were located in New York. The number of these "large" farms almost doubled in Vermont, from 6 in 2002 to 11 in 2003.

Farms marketing over 1.5 million pounds a month on the Northeast Order from outside the traditional marketing area declined from 6 in 2001, to 4 in 2002, and to zero in 2003.

The number of farms in a size category may change due to changes in production or changes in pooling order. Increases or decreases do not necessarily imply a new farm or a farm going out of business. ❖

Milk by State and Farm Size Under the Northeast Order, Month of May 2001–03

State/Area	Total Pooled 2003: No. of Farms	Total Pooled 2003: Mil. lbs.	Farms Marketing 1.5 Mill. Lbs. or More 2003: No. of Farms	2003: Mil. lbs.	2002: No. of Farms	2002: Mil. lbs.	2001: No. of Farms	2001: Mil. lbs.
ME	406	54	1	3	0	0	0	0
VT	1,361	231	11	20	6	10	6	10
Other New England[1/]	586	91	2	4	2	3	2	3
NJ	134	19	0	0	0	0	0	0
NY	6,106	909	57	132	40	85	32	65
PA	6,568	725	8	18	9	21	5	11
Other Inside Area[2/]	891	136	4	9	2	5	2	5
Other Outside Area[3/]	93	12	0	0	4	12	6	17
Total	16,145	2,177	83	186	63	136	53	110

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

MARKET SITUATION

Regional Dairy Outlook Conference Held

The 2003 Northeast Regional Dairy Outlook Conference was held November 18 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

Most of the Northeast was faced with a rainy spring resulting in delayed planting of crops. Wet, cool conditions also made hay cutting difficult, but did help pasture remain in good condition throughout the summer. Overall harvest yields of corn and hay were up from last year. Feed quantity should be sufficient and overall quality is good, although more silage and haylage were harvested than normal (instead of grain corn and hay) due to the wet conditions. Nationally, the feed situation is mixed, which could result in somewhat higher prices than this past year.

Northeast Milk Marketing Area
Statistical Uniform Prices, 2002–2004*

Month	2002 Actual	2003 Actual and **Estimated**	**2004 Estimated**
	dollars per hundredweight		
January	13.81	12.19	**13.17**
February	13.48	11.79	**13.00**
March	13.05	11.43	**12.93**
April	12.94	11.45	**12.76**
May	12.63	11.60	**12.78**
June	12.38	11.66	**13.00**
July	12.05	12.46	**13.36**
August	12.16	13.72	**13.65**
September	12.20	15.01	**13.87**
October	12.40	15.21	**14.09**
November	12.31	14.95	**13.81**
December	12.24	**14.04**	**13.56**
Average	12.64	**12.96**	**13.33**

* Estimated prices for December 2003 and all of 2004. All estimates are subject to change. Prices are reported at Suffolk County, MA.

Production Estimates

Both in the Northeast and nationally, cow numbers are expected to continue declining. According to conference participants the past year's low prices have stunted expansion and increased exits. Milk production per cow has been mixed in the Northeast during 2003 and is projected to be down from last year while the United States on a whole should average slightly higher than during 2002. Milk per cow failed to meet last year's projection because of poor quality feed and decreased use of rBST due to its cost when compared to lower milk prices received. Increases in milk per cow are predicted for both the Northeast and the nation.

The decline in cow numbers combined with the decrease in milk per cow will result in an overall decline of 3.2 percent in milk production for the Northeast for 2003. Nationally, the increase in milk per cow should offset the decline in cow numbers enough to raise total milk production just slightly over 2002. For 2004, milk production per cow should offset most of the decline in cow numbers resulting in a decline of less than 1 percent in the Northeast. Nationally, milk production is projected to increase nearly 1 percent for 2004. These predictions have been adjusted for leap year.

Price Estimates

It appears that milk prices peaked in October and will continue to decline through mid to late spring of 2004 (see accompanying table). Cheese prices dropped dramatically in November, impacting protein prices and witnessed in the Class III price for November. Butter has continued to increase as is typical for this time of year and its higher prices are reflected in the Class II and Class IV price increases from October. Some conference participants felt that with weak demand for cheese, especially in the restaurant industry, prices will continue to drop for many months. They added that once the holiday season is over, butter prices will likely decline sharply, contributing to lower producer milk prices.

Prices are expected to rebound somewhat next summer or early fall, although they may not reach a level as high as during 2003. Overall, milk prices should average about 2.8 percent higher during 2004. The Class III price is expected to be the mover for Class I prices during all of 2004. In 2003, the Class IV price was the mover for the first 6 months. New price formulas took effect in April 2003. ❖

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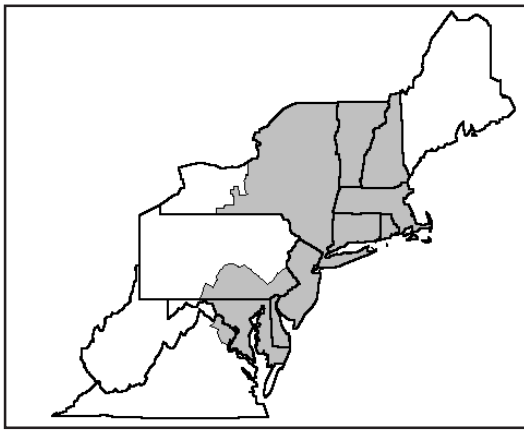
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	859,778,186	$13.58	116,757,877.66	
Butterfat	19,031,084	1.2888	24,527,261.06	
Less: Location Adjustment to Handlers			(2,744,924.86)	$138,540,213.87
Class II— Butterfat	25,160,280	1.2947	32,575,014.51	
Nonfat Solids	28,413,062	0.7433	21,119,428.98	53,694,443.49
Class III– Butterfat	19,535,191	1.2877	25,155,465.46	
Protein	15,666,635	2.9267	45,851,540.67	
Other Solids	28,619,607	0.0368	1,053,201.56	72,060,207.69
Class IV– Butterfat	6,018,776	1.2877	7,750,377.89	
Nonfat Solids	12,080,615	0.6663	8,049,313.78	15,799,691.67
Total Classified Value				**$280,094,556.72**
Add: Overage—All Classes				110,483.62
Inventory Reclassification—All Classes				125,789.63
Other Source Receipts	48,440			2,005.42
Less: Producer Component Valuations				(262,374,890.52)
Subtotal				**$17,957,944.87**
Add: Location Adjustment to Producers				8,872,422.90
One-half Unobligated Balance—Producer Settlement Fund				1,483,194.37
Total Pool Milk & Aggregate Value	1,860,059,941			28,313,562.14
Less: Producer Settlement Fund—Reserve				(784,675.03)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$1.48**		27,528,887.11
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$14.95**		

* 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 2003 Federal Order No. 1

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December Pool Price Calculation

The December 2003 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.39 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 $2.52 per hundredweight.

December's statistical uniform price was 56 cents per hundredweight below November's price. Class I and III prices declined significantly from last month due to the 17-cent per pound drop in cheese prices from November to December. Both the Class II and Class IV prices increased as a result of higher butter prices. The December PPD was $1.04 higher than the previous month's due to the increased spread between the pool value and the producer payout value and the highest PPD reported for 2003.❖

2003 Northeast Order Statistics Summarized

During 2003, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 24.0 billion pounds, a decrease of 5.2 percent from last year. The average number of producers declined 4.5 percent from 2002, while average daily deliveries per producer (DDP) decreased 0.7 percent. The table on page 2 compares selected pool statistics for 2002 and 2003.

Class Utilization Changes

Class I utilization averaged 44.5 percent in 2003, an increase of 2.3 percentage points from the previous year. The total volume of milk used in Class I increased only 0.1 percent, but because of a smaller volume of producer milk receipts, the utilization percentage increased. Class II usage increased 1.3 percent resulting in a utilization increase of 1.2 percentage points. Class III volume declined 12.9 percent, with a corresponding utilization drop of 2.5 percentage points. Milk used in Class IV dropped 15.5 percent on a volume basis, but due to the smaller overall volume of producer milk, utilization declined only 1 percentage point.

Prices Mixed, but Higher Overall

National milk production was on the rise during the first quarter of 2003. During the remaining months, production declined or was nearly unchanged from the previous year for each corresponding month. This tightness in milk was reflected in higher commodity prices for cheese and

(continued on page 2)

Pool Summary

- A total of 15,822 producers were pooled under the Order with an average daily delivery per producer of 4,108 pounds.
- Pooled milk receipts totaled 2.015 billion pounds, an increase of 4.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 46.6 percent of total milk receipts, a decrease of 0.7 percentage points from November.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.09 percent.
- The average other solids test of producer receipts was 5.68 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	46.6	938,650,753
Class II	16.3	328,708,417
Class III	28.0	564,142,430
Class IV	9.1	183,327,916
Total Pooled Milk		2,014,829,516

Producer Component Prices

	2003	2002
	$/lb	
Protein Price	2.2997	1.7506
Butterfat Price	1.3688	1.1922
Other Solids Price	0.0362	0.0584

Class Price Factors

	2003	2002
	$/cwt	
Class I	17.09	13.77
Class II	11.30	11.62
Class III	11.87	9.74
Class IV	10.52	10.49

Class I Sales Decline in 2003

Sales of fluid milk products in the Northeast Milk Marketing Area totaled 9.2 billion pounds during 2003, down 1.8 percent from 2002. This follows a decline of nearly 1 percent the previous year. The accompanying table shows sales by type of product for 2002 and 2003.

All products reported less sales in 2003 except reduced fat (2% butterfat) milk, which showed a slight increase. The largest decline, on a percentage basis, was in flavored milk and drinks. This category only accounts for about 6 percent of all sales in the marketing area.

Sales of Fluid Milk Products in the Notheast Milk Marketing Area, 2002 and 2003

Product	Total In-area Sales 2002	Total In-area Sales 2003	2002-03 change	Per Capita Sales 2002	Per Capita Sales 2003
	million pounds		percent	pounds	
Whole Milk	3,754.9	3,680.7	(2.0)	72.2	70.4
Reduced Fat – 2%	1,992.2	1,994.3	0.1	38.3	38.1
Lowfat – 1%	1,579.5	1,563.6	(1.0)	30.4	29.9
FatFree	1,455.2	1,400.1	(3.8)	28.0	26.8
Flavored Milk and Drinks	539.7	511.5	(5.2)	10.4	9.8
Buttermilk/Eggnog	57.8	57.6	(0.4)	1.1	1.1
Total	9,379.1	9,207.7	(1.8)	180.3	176.1

On a per capita basis, all product categories declined except buttermilk and eggnog, which was relatively unchanged. In total, fluid milk sales declined 2.3 percent on a per capita basis. This is a larger decline than reported in 2002 when per capita sales dropped 1.4 percent from 2001.

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 2003 in the marketing area was about 52.3 million people based on the 2000 Census. ❖

Northeast Order Statistics *(continued from page 1)*

butter during the second half of the year, which are incorporated into the federal order price formulas. In addition, class price formulas were revised effective April 2003.

The Class I price was lower during the first 7 months of 2003 than during the same period the previous year. For the last 5 months, the Class I price was higher. The increase was a reflection of the tightness in milk, yet somewhat delayed due to advance pricing for Class I milk. Class III prices followed a similar pattern with the increase coming a month sooner due to the method of calculation of Class III prices. Both Class II and IV prices were below the previous year's for nearly the entire year.

Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston), averaged $12.99 per hundredweight in 2003. This was up 2.8 percent from the previous year. The Class I price increased 2.7 percent from 2002, while the Class III price averaged 9.6 percent higher. The Class II price was 6.8 percent lower than the previous year, and the Class IV annual average price was down 7.5 percent. Unlike previous years, the Class IV price was not the dominant mover of Class I prices. Due to the price formula changes, the Class III price began exceeding the Class IV price in July and continued throughout the rest of 2003.

Northeast Order Pool Statistics, 2002 and 2003

Pool Statistics	2002	2003	2002-03 Change
	million pounds		percent
Class I	10,694.8	10,701.2	0.1
Class II	4,408.1	4,464.6	1.3
Class III	7,790.1	6,788.3	-12.9
Class IV	2,465.4	2,084.1	-15.5
Total	25,358.4	24,038.2	-5.2
	pounds		
DDP	4,117	4,087	-0.7
	utilization percentage		change
Class I	42.2	44.5	2.3
Class II	17.4	18.6	1.2
Class III	30.7	28.2	-2.5
Class IV	9.7	8.7	-1.0
	dollars/cwt		percent
Class I	14.26	14.64	2.7
Class II	11.55	10.76	-6.8
Class III	10.42	11.42	9.6
Class IV	10.81	10.00	-7.5
SUP	12.64	12.99	2.8

Component Pricing

The average price paid per pound to producers for butterfat increased 1.4 percent in 2003. The per-pound annual average protein price jumped 20.4 percent from the previous year, while the annual average other solids price dropped 78.3 percent. The changes in protein and other solids prices in 2003 were partially affected by the changes in the Class III and IV formulas implemented in April. As a result, when market prices for dry whey declined, the formula reported a negative other solids price. This occurred for 4 months during 2003.

The average producer butterfat test was unchanged during 2003, although there were noticeable changes when comparing year-to-year monthly tests. The average producer protein test increased 2 percentage points, while the other solids test averaged 2 percentage points lower.

Producer Changes

The simple average number of producers continued to decline at a greater rate than the previous year. In addition, 2003 finished the year with 743 producers less than at the end of 2002, which was down 376 from the previous year. The annual average DDP declined 0.7 percent from 2002, the first decline since the inception of the Northeast Order. ❖

Market Services

The Market Administrator (MA) verifies or establishes weights, samples and tests producer milk, and provides market information for producers who are not receiving such services from a cooperative association.

Verification Program

One aspect of the market services provided by the Order is the verification program. The objective of verifying tests is to guard against incorrect payments to producers for milk components, as well as to prevent incorrect pool credits to fluid handlers.

Producer milk samples are collected and independently sampled at least every 3 months, and the results are compared to handlers' reported tests. Producers receive a report of their component test results along with somatic cell count levels. While it is normal to have some difference between the handler and the MA samples, any variance between test results must fall within specified tolerance levels. If the variance is outside the tolerance level, the handler could be required to use the MA component test results for producer payment for all producers in the group whose tests have been verified. In order to reduce the chance for variances, the MA works with handlers, haulers, and laboratories to assure that proper testing procedures are being followed and that testing equipment is accurate.

Calibration Program

Another aspect of the MA's market service program is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing calibration services during 2003, the two trucks combined covered over 26,500 miles. The market service department checked 200 farm bulk tanks throughout the Northeast Marketing Area milkshed during the 2003 season. Briefly, a tank check involves measuring the tank at about four or five different levels as opposed to performing a complete calibration, which involves checking the tank at each increment on the dipstick. The levels that a tank is checked at vary depending on the tank size and a farm's production range. If the tank proves to be out of tolerance when checked, the tank is then recalibrated. Depending on scheduling, recalibrations may be performed the same day or may be rescheduled for another day.

Tanker Calibration Work by Tank Size, 2003

Tank Size (Gallons)	Checks	Calibrations/ Recalibrations
0-500	22	13
501-1000	124	103
1001-1500	33	32
1501-2000	10	10
2001-3000	8	11
3001-6000	3	5
6000+	0	1
Total	**200**	**175**

Of the 200 tanks checked, 37 were out of tolerance and were recalibrated. Of the tanks requiring recalibration, there was an almost even split between tanks that were over measuring and under measuring the amount of milk. An additional 138 calibrations were performed for other reasons that did not involve an initial check, such as a tank being installed, a tank being moved, or a special request. The 200 checks and the 138 additional calibrations total at least 338 farm visits. A total of 175 calibrations and recalibrations were performed. A breakdown of checks and calibrations/recalibrations by tank size is shown in the accompanying table. A tentative schedule for the calibration trucks will be published in the *Bulletin* near the start of the spring season.❖

Pool Summary for all Federal Orders, 2002–2003

Federal Order Number	Name	Total Producer Milk 2002	Total Producer Milk 2003	Change	Producer Price Differential# 2002	Producer Price Differential# 2003	Statistical Uniform Price#* 2002	Statistical Uniform Price#* 2003
		pounds		percent	dollars per hundredweight			
1	Northeast	25,358,427,196	24,038,200,386	-5.2	2.22	1.57	12.64	12.99
5	Appalachian	6,706,404,276	6,314,715,438	-5.8	N/A	N/A	13.24	13.55
6	Florida	2,692,574,453	2,832,854,182	5.2	N/A	N/A	14.60	14.79
7	Southeast	7,926,579,840	7,070,944,238	-10.8	N/A	N/A	13.02	13.46
30	Upper Midwest	20,306,563,579	17,017,744,806	-16.2	0.55	-0.05	10.96	11.37
32	Central	18,699,837,676	14,411,410,608	-22.9	0.84	0.33	11.26	11.75
33	Mideast	17,739,315,705	15,750,290,711	-11.2	1.15	0.54	11.57	11.96
124	Pacific Northwest	7,823,715,763	6,336,455,790	-19.0	0.83	-0.10	11.25	11.32
126	Southwest	9,713,777,143	9,174,097,345	-5.6	1.97	1.16	12.38	12.58
131	Arizona-Las Vegas	3,026,555,777	3,061,198,555	1.1	N/A	N/A	11.49	11.89
135	Western	5,552,476,195	4,573,111,956	-17.6	0.68	0.06	11.12	11.48
All Market Total/Average		125,546,227,603	110,581,024,015	-11.9	1.18	0.50	12.14	12.47

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	918,042,311	$12.95	118,886,479.27	
	Butterfat	20,608,442	1.3131	27,060,945.19	
Less:	Location Adjustment to Handlers			(2,923,840.86)	$143,023,583.60
Class II—	Butterfat	25,500,257	1.3758	35,083,253.59	
	Nonfat Solids	27,632,118	0.7467	20,632,902.51	55,716,156.10
Class III—	Butterfat	21,532,455	1.3688	29,473,624.37	
	Protein	17,406,940	2.2997	40,030,739.94	
	Other Solids	31,964,337	0.0362	1,157,109.03	70,661,473.34
Class IV—	Butterfat	8,194,373	1.3688	11,216,457.79	
	Nonfat Solids	15,974,430	0.6603	10,547,916.14	21,764,373.93
Total Classified Value					**$291,165,586.97**
Add:	Overage—All Classes				71,113.96
	Inventory Reclassification—All Classes				302,506.83
	Other Source Receipts	55,522			3,031.50
Less:	Producer Component Valuations				(251,266,943.08)
	Subtotal				**$40,275,296.18**
Add:	Location Adjustment to Producers				9,912,844.16
	One-half Unobligated Balance—Producer Settlement Fund				1,583,476.21
Total Pool Milk & Aggregate Value		2,014,885,038			51,771,616.55
Less:	Producer Settlement Fund—Reserve				(996,513.58)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$2.52**		50,775,102.97
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$14.39**		

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