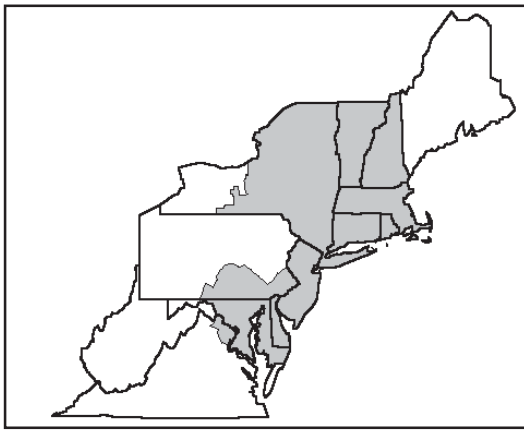

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2008 Federal Order No. 1

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

The January 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $21.11 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $21.92 per hundredweight. January's statistical uniform price was 48 cents per hundredweight below December's price. The January producer price differential (PPD) at Suffolk County was $1.79 per hundredweight, 80 cents above last month's.

During January, all commodity prices declined resulting in lower component prices. All class prices dropped except the Class I price, which is announced in advance and is calculated using data from the previous month. This created a widening of the spread between the classes and a higher PPD than last month.

The January average producer protein test at 3.09 percent was the highest on record for the month of January since the Order's inception. The other solids test at 5.73 percent also set a record for the highest for the month of January.❖

Market Services 2007 Summary

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. Federally qualified cooperatives that wish to be exempt from the market service deduction for providing these services must adequately provide all aspects of the market service program themselves or contract with an agent to do so. Programs put in place by cooperatives for this purpose are regularly monitored by the Market Administrator.

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 preventing incorrect pool credits to fluid handlers.

Calibration Program

Another aspect of the Market Administrator's market service program is the bulk tank calibration program. The Northeast Order

(continued on page 3)

Pool Summary

- A total of 13,812 producers were pooled under the Order with an average daily delivery per producer of 4,789 pounds.
- Pooled milk receipts totaled 2.050 billion pounds, an increase of 2.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.1 percent of total milk receipts, a decrease of 1.3 percentage points from December.
- The average butterfat test of producer receipts was 3.79 percent.
- The average true protein test of producer receipts was 3.09 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.1	904,275,348
Class II	17.5	358,704,815
Class III	23.3	478,199,703
Class IV	15.1	309,285,441
Total Pooled Milk		2,050,465,307

Producer Component Prices

	2008	2007
	$/lb	
Protein Price	4.4994	2.4053
Butterfat Price	1.3319	1.3009
Other Solids Price	0.2097	0.3183

Class Price Factors

	2008	2007
	$/cwt	
Class I	24.22	16.84
Class II	19.75	12.85
Class III	19.32	13.56
Class IV	16.29	12.53

Class I Sales Nearly Flat for 2007

Sales of fluid milk products in the Northeast milk Marketing Area totaled nearly 9.3 billion pounds in 2007, down 0.3 percent form 2006 and the smallest drop since 2001 when sales were statistically flat compared to 2000. Nationally, sales declined 0.1 percent; U.S. sales are estimated based on actual sales data in federal milk order marketing areas and California (together they represent 92 percent of total fluid sales in the US).

The Northeast Marketing Area includes the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; the District of Columbia; most of Maryland and New York; and portions of Pennsylvania and Virginia. This area includes many metropolitan centers such as New York City, Boston, Philadelphia, Baltimore, and Washington, DC. The total estimated population for 2007 in the marketing area was 52.8 million people, as reported by the Bureau of Census; the estimated U.S. population was 301.6 million people for 2007.

The accompanying table shows Northeast sales by product for 2007, on a percentage basis, comparisons to total U.S. sales, and sales on a per capital basis.

Northeast Sales by Product

Sales of organic products grew the most in the Northeast with organic fat-reduced jumping 22.0 percent and organic whole growing 15.2 percent. Nationally, organic fat-reduced rose 33.5 percent; organic whole grew 31.6 percent. As a proportion of total sales in the Northeast, organic products accounted for 2.6 percent of all sales; the same as the national proportion. In 2006, organic products accounted for 2.1 percent of all sales in the Northeast and 1.9 percent nationally.

Plain whole milk again had the largest decline in the Northeast, dropping 3.9 percent. Nationally, this category declined 4.3 percent. Flavored whole milk increased 8.9 percent in the Northeast; in the U.S., this category dropped 5.7 percent. Flavored fat-reduced (flavored milk with low butterfat content) declined 2.9 percent in 2007 in the Northeast; nationally, this category dropped 0.9 percent. Reduced fat (2%) milk dropped 1.0 percent in the Northeast; low fat milk (1%) and fat free milk (skim) each increased about 3.0 percent. Nationally, these three products all increased during 2007.

Proportion of US Sales

Fluid milk sales in the Northeast accounted for 16.8 percent of all U.S. fluid sales in 2007. Sales of whole milk in the Northeast accounted for 20.1 percent of the nation's total; low fat milk sales in the Northeast equaled 25.3 percent of all U.S. Total sales of flavored milk products in the Northeast were 13.3 percent of the nation's total, about the same as in 2006. Organic products sold in the Northeast Area accounted for 17.0 percent of U.S. organic sales in 2007; down from 18.8 percent in 2006.

Per Capita Sales

On a per capita basis in the Northeast Marketing Area, the average person consumed 176 fluid pounds (about 20 gallons) in 2007, compared to 183 pounds (about 21 gallons) nationally. This is down slightly from 177 pounds is 2006 in the Northeast and 185 pounds in the U.S. Despite declining in sales, whole milk remains the most popular product in the Northeast with an average of 60 pounds; nationally this figure is 52 pounds. The product with the highest per capita sales in the U.S. in 2007 was reduced fat (2%) milk with 60 pounds per person; in the Northeast only 39 pounds per person were consumed. Low fat (1%) milk had the third highest per capita volume with 32 pounds in the Northeast; nationally this category only had 22 pounds. Consumption of fat free milk was similar in both the Northeast and U.S.: 28 and 27 pounds, respectively.❖

Sales of Fluid Milk Products in the Northeast Marketing Area, 2007, with Comparisons

Product	Sales mil. lbs.	2006–07 % change	Percent of sales: Northeast	Percent of sales: U.S.	Per capita sales Northeast (pounds)	Per capita sales U.S. (pounds)
Whole Milk	3,174.6	(3.9)	34.2	20.1	60	52
Flavored Whole Milk	38.9	8.9	0.4	5.8	1	2
Organic Whole Milk	62.2	15.2	0.7	19.4	1	1
Reduced Fat Milk (2%)	2,053.5	(1.0)	22.1	11.4	39	60
Low Fat Milk (1%)	1,663.1	2.9	17.9	25.3	32	22
Fat-Free Milk (Skim)	1,490.9	3.1	16.1	18.4	28	27
Flavored Fat-Reduced Milk	541.9	(2.9)	5.8	14.7	10	12
Organic Fat-Reduced Milk	177.5	22.0	1.9	16.3	3	4
Buttermilk	39.7	9.4	0.4	7.5	1	2
Miscellaneous (inc. Eggnog)	38.1	(1.8)	0.4	14.8	1	1
Total/Average	9,280.4	(0.3)	100.0	16.8	176	183

U.S. Milk Production Increases, but Less than Past 2 Years

Milk Production in the United States grew 2.1 percent in 2007. This follows an increase of 2.8 percent the previous year and 3.8 percent in 2005. During 2007, the top ten milk producing states registered an increase of 2.9 percent, while the top 23 states as reported by the National Agricultural Statistics Service (NASS) grew 2.4 percent.

Top Producing States

After tapering off during the last quarter of 2006, national milk production began the year with a 1.0 percent increase during the first quarter of 2007. The second quarter was similar, but during the second half of 2007 milk production jumped 3.2 percent in each of the last 2 quarters.

California, Wisconsin, and New York retained their respective ranks in the top 3 spots. Idaho, which surpassed Pennsylvania in 2006, continues to close in on New York, tightening the spread from 1.2 billion pounds in 2006 to 559 million pounds in 2007. Some changes in rank included Michigan, switching places with New Mexico by jumping to number 7 from number 9 in 2006. Of the top ten states, only Pennsylvania and New Mexico had declines in 2007 (0.5 and 4.3 percent, respectively). Nationally, 31 states showed declines in milk production.

Within the top 23 NASS-reported states, Colorado switched places with Vermont, moving up to 15 (from 16 in 2006); and Missouri dropped to 23, from 21 in 2006. Utah ranks 21 nationally, but is not included in the NASS top-23 survey. Kentucky is included in NASS's top 23, but is actually number 26, surpassed by both South Dakota and Georgia.

Northeast Milk Production Trails US Average

Milk production in the states that generally make up the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling into the Northeast Milk Marketing Area) averaged a decline of 0.5 percent during 2007. This area includes New York, New Jersey, and Pennsylvania; New England (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont); and the Middle Atlantic states of Delaware, Maryland, Virginia, and West Virginia and accounted for 16.2 percent of total U.S. milk production (down slightly from 16.7 percent in 2006). During the first half of 2007, nearly all of these states showed declines in production compared to the same months in 2006. About mid-year, this reversed with some strong increases, especially in New York.

Total milk pooled on the Northeast Order during 2007 increased 1.6 percent from 2006. Milk pooled on the Order differs from milk production because milk from other areas than the milkshed states can be pooled on the Order. In addition, not all milk produced in the milkshed states is pooled on Order No.1; it may be pooled on other federal orders or sold in non-order areas.

Cow Numbers and Production per Cow

Nationally, the number of milk cows grew 0.4 percent in 2007; average milk production per cow increased 1.6 percent. In the Northeast, milk cow numbers declined 1.7 percent, while milk per cow grew 1.2 percent.❖

Market Service *(continued from page 1)*

operates two calibration trucks. The market service department checked 489 farm bulk tanks throughout the Northeast Marketing Area milkshed during the 2007 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. Of the 489 tanks checked, 52 were out of tolerance and were recalibrated. Of the tanks requiring recalibration, there was almost an even split between tanks that were over measuring and those under measuring the amount of milk. An additional 78 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 489 checks and the 78 additional calibrations total at least 567 farm visits. A total of 124 calibrations and recalibrations were performed. A breakdown of checks and calibrations/recalibrations by tank size are shown in the accompanying table. A tentative schedule for the calibration trucks will be published in the *Bulletin* near the start of the spring season.❖

2007 Tank Calibration Work by Tank Size

Tank Size (Gallons)	Checks	Calibrations/ Recalibrations
0-500	39	8
501-1000	256	55
1001-1500	101	27
1501-2000	50	18
2001-3000	26	10
3001-6000	16	6
6000+	1	0
Total	**489**	**124**

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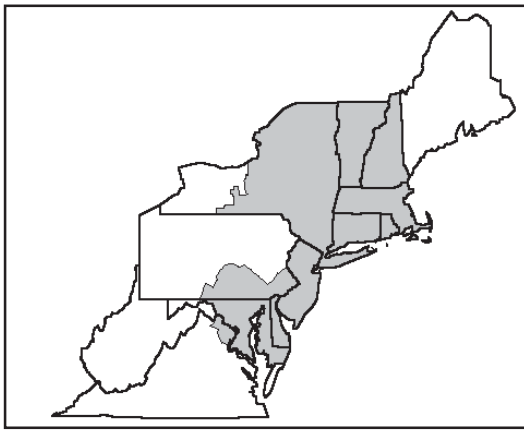
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	887,103,282	$19.78	175,469,029.18	
Butterfat	17,172,066	1.4658	25,170,814.34	
Less: Location Adjustment to Handlers			(2,881,036.80)	$197,758,806.76
Class II— Butterfat	28,830,120	1.3389	38,600,647.70	
Nonfat Solids	30,180,902	1.7344	52,345,756.40	90,946,404.10
Class III– Butterfat	18,640,183	1.3319	24,826,859.71	
Protein	14,758,894	4.4994	66,406,167.68	
Other Solids	27,331,684	0.2097	5,731,454.14	96,964,481.53
Class IV– Butterfat	13,101,767	1.3319	17,450,243.50	
Nonfat Solids	27,194,225	1.3385	36,399,470.16	53,849,713.66
Total Classified Value				**$439,519,406.05**
Add: Overage—All Classes				168,781.72
Inventory Reclassification—All Classes				26,002.77
Other Source Receipts	315,751 Pounds			13,889.27
Total Pool Value				**$439,728,079.81**
Less: Producer Component Valuations @ Class III Component Prices				(412,853,835.31)
Total PPD Value Before Adjustments				**$26,874,244.50**
Add: Location Adjustment to Producers				10,060,958.37
One-half Unobligated Balance—Producer Settlement Fund				740,327.10
Less: Producer Settlement Fund—Reserve				(966,549.11)
Total Pool Milk & PPD Value	2,050,781,058 Producer pounds			**$36,708,980.86**
Producer Price Differential		**$1.79**		
Statistical Uniform Price		**$21.11**		

* 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 2008 Federal Order No. 1

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

February Pool Price Calculation

The February 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $19.54 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $20.26 per hundredweight. February's statistical uniform price was $1.57 per hundredweight below January's price. The February producer price differential (PPD) at Suffolk County was $2.51 per hundredweight, 72 cents above last month's.

During February, all commodity prices declined resulting in lower component and class prices. The Class III prices dropped the most ($2.29 per cwt), which widened of the spread between the classes and resulted in a higher PPD than last month.

Producer milk receipts for February were the third highest since the Order's inception in 2000. This was the combined result of the extra day in February (leap year) and recent production increases. The February average producer other solids test at 5.78 percent tied with June 2000 for the highest on record under the Order.❖

Decision Issued to Amend the Appalachian, Florida and Southeast Milk Orders

On February 25, the U. S. Department of Agriculture (USDA) issued a tentative final decision that would increase Class I prices and adjust the Class I pricing surface of the Appalachian, Southeast, and Florida marketing orders. This decision is based on testimony and evidence given at a public hearing held in Tampa, Florida, on May 21–23, 2007.

This decision also amends certain features of the touch-base, diversion limit standards and transportation credit provisions for the Appalachian and Southeast federal milk marketing orders. USDA will conduct referendums to determine if producers approve the amended orders. If approved, USDA will issue an interim order making the amendments effective.

Comments on the tentative final decision must be submitted to USDA on or before April 29. Copies of the decision along with additional information can be found at http://www.ams.usda.gov/dairy/ap_se_fl/ap_se_fl_hear.htm or by contacting Gino M. Tosi, USDA/AMS/Dairy Program, Order Formulation and Enforcement Branch (202)690-1366.❖

Pool Summary

- A total of 13,714 producers were pooled under the Order with an average daily delivery per producer of 4,971 pounds.
- Pooled milk receipts totaled 1.977 billion pounds, an increase of 3.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.5 percent of total milk receipts, a decrease of 1.6 percentage points from January.
- The average butterfat test of producer receipts was 3.77 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.78 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.5	840,994,748
Class II	17.3	341,077,177
Class III	24.4	483,198,147
Class IV	15.8	311,816,678
Total Pooled Milk		1,977,086,750

Producer Component Prices

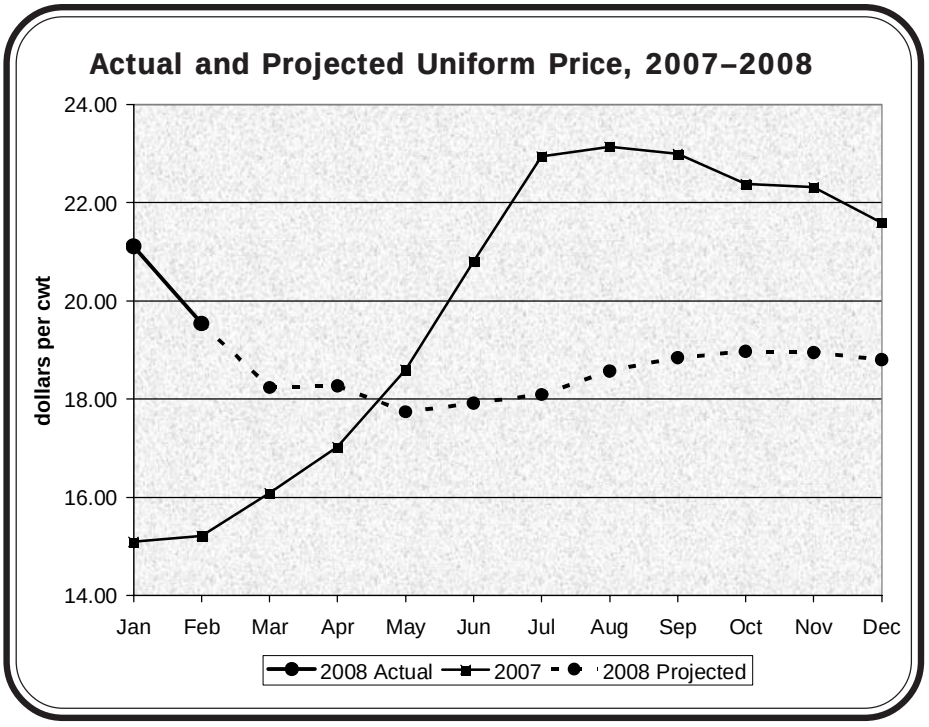
	2008	2007
	$/lb	
Protein Price	4.0180	2.4125
Butterfat Price	1.3010	1.3112
Other Solids Price	0.0803	0.4170

Class Price Factors

	2008	2007
	$/cwt	
Class I	22.93	16.64
Class II	18.46	13.08
Class III	17.03	14.18
Class IV	14.67	12.71

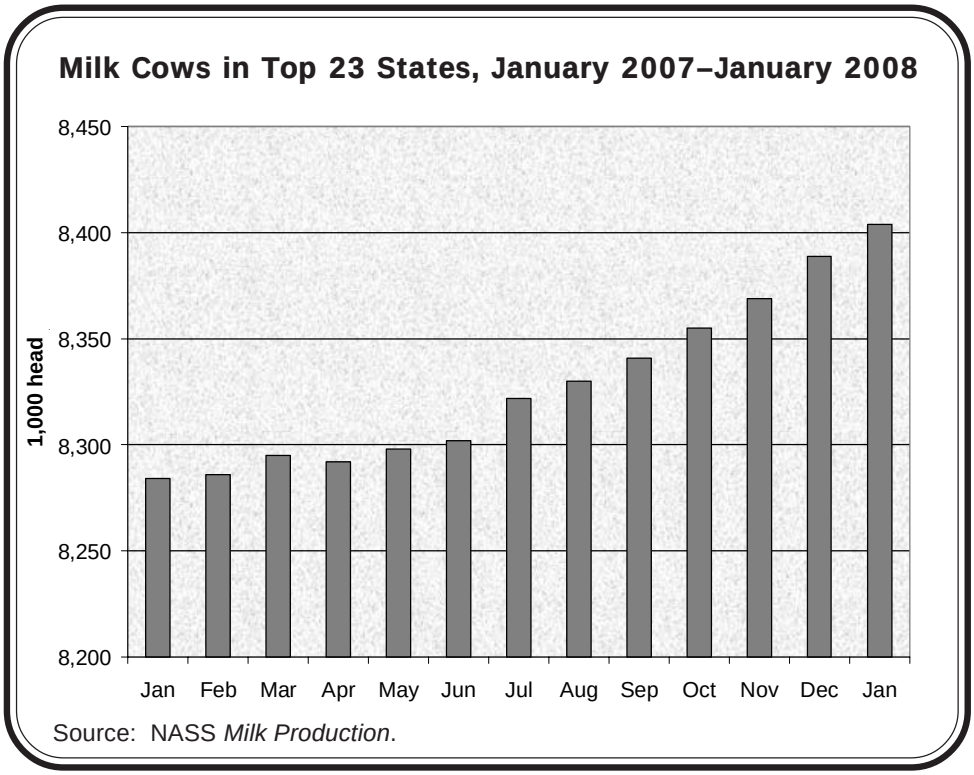
2008 Statistical Uniform Price Moderates

The Northeast Uniform price has moderated from the record high levels that occurred during the second half of 2007 although prices are still at historically high levels. The February uniform price of $19.54 per hundredweight (highest ever for the month of February) was down $3.60 from the all time high of $23.14 in August 2007. Based on Chicago Mercantile Exchange futures prices as of March 12, the Northeast uniform price is expected to continue to decline through May to a price of about $17.74 per hundredweight. The price is then projected to steadily climb to the mid to upper $18 range for much of the second half of the year. For the year, the uniform price is predicted to average $18.75 per hundredweight, $1.10 below the 2007 average.



During the Northeast Regional Dairy Outlook Conference held in November, participants projected slightly higher prices during the early portion of 2008. However, milk production has been stronger than what was predicted at that time. The Northeast Order pooled 30 million and 62 million more pounds in January and February, respectively, than were originally forecast back in November 2007. Though the milk-feed price ratio was 2.66 in January and 2.36 in February, the national dairy herd and milk per cow have continued to grow. The number of milk cows in the top 23 states in January was up 1.4 percent from a year ago, and milk per cow was up 1 percent.

The increased production has led to increased stocks of nonfat dry milk (NFDM) with end of year 2007 stocks 84.1 percent higher than a year ago. Additionally, exports have slowed somewhat. The nonfat dry milk price contributed a large portion to recent historic high prices, but has since declined substantially. The NASS nonfat dry milk price peaked in October 2007 at $2.0615 per pound but has dropped to $1.3331 per pound in February 2008. Exports are expected to increase later in the year and should improve the NFDM price.



Source: NASS *Milk Production*.

Similarly, the NASS dry whey price has dropped considerably from highs over 70 cents per pound in mid 2007 to 27 cents per pound in February 2008. Like NFDM, weaker exports, increased production, and increasing stocks are some of the factors of the decline.

Still, high feed costs and relatively lower milk prices could impact growth in production as the year progresses. Continuing constraints on traditional dairy exporters will likely still leave the U.S. as an important industry supplier, and thus, the industry should still benefit from the export market. A slower U.S. economy in 2008 also could lead to decreased domestic sales and in turn put additional downward pressure on the milk price. Restaurant operators have reported lower same-store sales for the past 3 months and lower customer traffic levels for the past 5 months. The restaurant industry plays an important role in the demand for cheese and butter. ❖

Number of Producers by Size of Marketings

In December 2007, 13,672 producers marketed roughly 2 billion pounds of milk on the Northeast Order. Five years ago, in December 2002, 16,334 producers marketed 2.09 billion pounds. How has a market with 2,662 less producers, a roughly 16 percent decline, experienced a decline in milk pooled of just 4.5 percent? The answer lies in the continuing dynamic which has seen the exit from the market of smaller farms being compensated by the growth in the number of larger farms. At the same time, the average milk per cow for New York, Pennsylvania, and Vermont (the three largest contributing states in the Northeast Order) increased by 7.8 percent. In addition, handler pooling decisions can impact volume changes and producer counts.

Table 1: Number of Farms by Pooled Pounds, December 2007

Pounds Pooled	Farms	Percent of Farms	Pounds of Milk	Percent of Pounds	Avg Lbs. per Farm	Estimated Average Herd Size*
< 100,000 lbs	8,355	61.1	456,687,093	22.9	54,660	35
100,000 to 499,999 lbs.	4,713	34.5	864,706,638	43.3	183,473	119
500,000 to 999,999 lbs.	360	2.6	249,763,172	12.5	693,787	451
> 1 million lbs.	244	1.8	424,500,955	21.3	1,739,758	1,130
Northeast Order Total	13,672	100.0	1,995,657,858	100.0	145,967	95

*Based on USDA Average milk per cow for NY, PA, and VT in December 2007.

Table 1 groups producers into 4 size ranges. The smaller 2 size ranges lost 2,741 producers from 2002 to 2007 which, combined, accounted for a decline of about 238 million pounds of milk from this group. The larger 2 size categories gained 79 producers and, combined, accounted for a gain of about 145 million pounds of milk between the 2 periods. To put it another way, the extra 79 producers in the top two size categories made up about 61 percent of the decline resulting from the loss of 2,741 producers from the 2 smaller categories.

During December 2007, 4.4 percent of the farms marketed 33.8 percent of the milk on the Northeast Order. The number of farms marketing over 1.5 million pounds a month grew from 73 in 2002 to 115 in 2007 (see Table 2). Marketings of over 1.5 million pounds a month roughly equates to over a tanker load per day. Of the 115 in that category in 2007, 83 producers were from New York, 17 were from Vermont and 9 from Pennsylvania.

Table 2: Farms Marketing More Than 1.5 Million Pounds per Month, by State, December 2007

State	Farms	Total Pounds	Estimated Avg. Herd Size*
Connecticut	3	4,702,046	1,018
Maine/New Hampshire	3	7,274,160	1,538
New York	83	203,124,321	1,589
Pennsylvania	9	19,805,710	1,429
Vermont	17	33,724,986	1,288
Total	115	268,631,223	1,517

*Based on USDA Average milk per cow for NY, PA, and VT in December 2007.

An estimate for the average herd size for each size range was created by using the average milk per cow for New York, Pennsylvania, and Vermont as reported by NASS for December 2007.❖

Pool Summary for All Federal Orders, January–December, 2006–2007

Federal Order Number	Federal Order Name	Total Producer Milk 2006	Total Producer Milk 2007	Change	Producer Price Differential# 2006	Producer Price Differential# 2007	Statistical Uniform Price#* 2006	Statistical Uniform Price#* 2007
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**22,679,707,001**	**23,039,863,949**	**1.6**	**1.64**	**1.81**	**13.53**	**19.85**
5	Appalachian	6,242,970,524	5,865,023,397	(6.1)	N/A	N/A	13.99	20.49
6	Florida	3,126,397,566	3,206,499,471	2.6	N/A	N/A	15.23	21.52
7	Southeast	8,055,165,403	7,520,626,938	(6.6)	N/A	N/A	13.90	20.40
30	Upper Midwest	26,854,748,528	26,489,881,523	(1.4)	0.29	0.30	12.18	18.34
32	Central	13,916,728,007	11,192,644,576	(19.6)	0.42	0.60	12.31	18.64
33	Mideast	17,189,205,040	16,267,739,204	(5.4)	0.64	0.79	12.53	19.06
124	Pacific Northwest	7,570,456,808	7,036,007,813	(7.1)	0.19	0.63	12.07	18.67
126	Southwest	11,599,517,446	9,990,320,756	(13.9)	1.27	1.43	13.16	19.47
131	Arizona~	3,383,448,766	3,798,868,820	12.3	N/A	N/A	12.60	19.05
All Market Total/Average		120,618,345,089	114,407,476,447	(5.1)	0.74	0.93	13.15	19.55

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.
~ Formerly Arizona-Las Vegas Order; name changed effective May 1, 2006.

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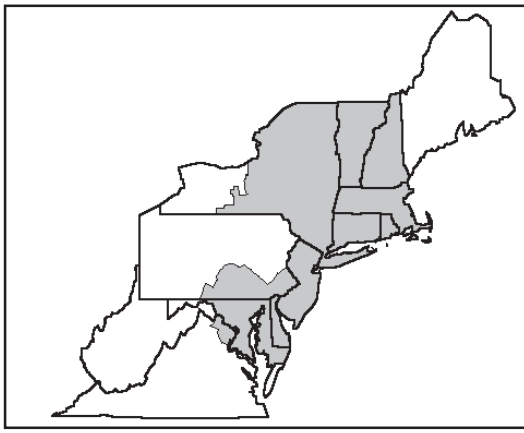
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	825,072,106	$18.69	154,205,976.61	
Butterfat	15,922,642	1.3985	22,267,814.84	
Less: Location Adjustment to Handlers			(2,692,217.27)	$173,781,574.24
Class II— Butterfat	27,292,178	1.3080	35,698,168.79	
Nonfat Solids	28,860,034	1.5989	46,144,308.40	81,842,477.19
Class III— Butterfat	18,936,351	1.3010	24,636,192.68	
Protein	14,893,740	4.0180	59,843,047.33	
Other Solids	27,604,077	0.0803	2,216,607.40	86,695,847.41
Class IV— Butterfat	12,432,429	1.3010	16,174,590.18	
Nonfat Solids	27,464,958	1.1643	31,977,450.62	48,152,040.80
Total Classified Value				**$390,471,939.64**
Add: Overage—All Classes				73,027.89
Inventory Reclassification—All Classes				174,292.43
Other Source Receipts	296,589 Pounds			16,779.13
Total Pool Value				**$390,736,039.09**
Less: Producer Component Valuations @ Class III Component Prices				(350,910,457.31)
Total PPD Value Before Adjustments				**$39,825,581.78**
Add: Location Adjustment to Producers				9,755,434.43
One-half Unobligated Balance—Producer Settlement Fund				854,783.53
Less: Producer Settlement Fund—Reserve				(803,477.88)
Total Pool Milk & PPD Value	1,977,383,339 Producer pounds			**$49,632,321.86**
Producer Price Differential		**$2.51**		
Statistical Uniform Price		**$19.54**		

* 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 2008 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 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.89 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $18.64 per hundredweight. March's statistical uniform price was $1.65 per hundredweight below February's price. The March producer price differential (PPD) at Suffolk County was -$0.11 per hundredweight, $2.62 per hundredweight below last month's. For more information regarding negative PPDs, see article below.

The March average butterfat test at 3.78 percent was the highest on record under the Order for the month of March.❖

Negative PPD All Zones

The producer price differential (PPD) was negative for all zones in the Northeast Order in March for the first time since May 2004. This situation occurs when the combined value of producer milk components exceeds the total value of the Northeast Order pool (see circled items in the "Computation of Producer Price Differential and Statistical Uniform Price" on page 4). A negative PPD represents a producer's per-hundredweight share of the amount that producer milk components exceed the value of milk in the pool.

Due to the advance pricing of Class I milk, the March Class I price was based off of the National Agricultural Statistics Service (NASS) dairy product prices reported for the weeks ending February 9 and February 16. As such, the March Class I price did not reflect the large rebound that occurred in the commodity cheese market during March. The other class prices (II, III, and IV) reflect the current month (March) increases that were reported by NASS for the weeks ending March l, 8, 15, 22, and 29.

Result of Market Rebound

Since December, the NASS monthly average prices for cheese, butter, nonfat dry milk, and dry whey declined 2 consecutive months, or through February. The NASS monthly average weighted cheese price, used in the Class III price calculation, then increased rather substantially, from $1.8403 per pound in February to $1.9575

(continued on page 3)

Pool Summary

- A total of 13,792 producers were pooled under the Order with an average daily delivery per producer of 4,991 pounds.
- Pooled milk receipts totaled 2.134 billion pounds, an increase of 1.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.9 percent of total milk receipts, a decrease of 1.6 percentage points from February.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.9	872,834,590
Class II	18.7	398,233,109
Class III	23.8	508,227,512
Class IV	16.6	354,733,311
Total Pooled Milk		2,134,028,522

Producer Component Prices

	2008	2007
	$/lb	
Protein Price	4.3331	2.4329
Butterfat Price	1.3604	1.3769
Other Solids Price	0.0493	0.5257

Class Price Factors

	2008	2007
	$/cwt	
Class I	19.95	17.50
Class II	15.63	13.60
Class III	18.00	15.09
Class IV	14.17	13.71

Biennial Container Survey

The results from the November 2007 container sales survey for the Northeast Milk Marketing Area were recently released. The survey is conducted biennially and records packaged sales data for the month of November. Information is collected from handlers operating plants regulated under Federal Order No. 1 that sell fluid packaged milk products on routes within the defined Northeast marketing area.

Packaged sales totaled 919.4 million pounds (about 106.7 million gallons) in November 2007; sales include whole, reduced fat (2%), low fat (1%), fat free (skim), flavored whole and low fat milk products, buttermilk, and eggnog. Data are collected for three container types (glass, paper, and plastic) and eleven different container sizes. Besides the standard plastic container sizes: gallon, half gallon, quart, and commercial 6 and 5-gallon, data is collected for plastic single serve sizes: pint, half-pint, 14 ounce, 13.5 ounce, 12 ounce, and 10 ounce. Data for other sizes are collected but grouped together in total volume.

Container Type

Plastic containers continue as the leading sales package and accounted for 76.4 percent of all route sales in November 2007. Paper containers had 23.2 percent and glass only 0.3 percent. The small volume of glass containers are mainly used by a small number of handlers who have home delivery routes or sell their product in specialty markets.

Of the handlers surveyed, over 61 percent reported having product sold in plastic single serving size containers equaling a total volume of 30.9 million pounds. Sales in single serve containers accounted for 4.4 percent of the total volume sold in all plastic containers and about 3.4 percent of all reported route sales (up from 1.8 percent in 2005). The majority (40.8 percent of all single serve) were sold in pints, followed by half pints with 35.2 percent. This is a switch from 2005 when half pints reported 30.8 percent and pints had 28.4 percent. The remaining single serve sizes are shown in the accompanying table.

Container Size

Sales in gallon containers accounted for 53.1 percent of all sales (see chart 1), down 2.1 percentage points from the last survey in November 2005. Half-gallons equaled 27.2 percent (up from 25.7 percent in 2005). Quarts had 6.2 percent and half-pints 7.4 percent. The remainder was sold in single serve, mentioned above, and other sizes such as 5 and 6 gallon, pint, 4 ounce, and many other sizes not individually identified.

Other Size Single Serve Containers

Container Size	Percent of Single Serve
14 oz	12.5
13.5 oz	1.6
12 oz	0.2
10 oz	6.9
other	2.7

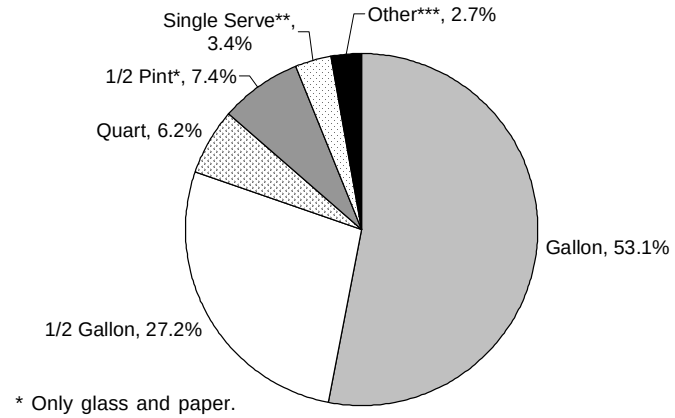
All 5, 6, and 1 gallon containers were made of plastic. Of the glass containers, the sizes reported were half-gallon, quart, pint, and half-pint.

Product Type

Whole milk sales accounted for 31.9 percent of the total sales in November 2007 (see chart 2); down from 35.7 percent in 2005. Reduced fat reported 23.6 percent; low fat equaled 17.8 percent; and fat free had 16.8 percent. These are up from 2005 when reduced fat reported 22.6 percent, lowfat has 16.8 percent, and fat free accounted for 15.8 percent. Flavored whole and low fat milk products combined for a total of 7.2 percent; buttermilk had 0.4 percent; and eggnog reported 2.2 percent. Flavored and eggnog showed increases from 2005; buttermilk was unchanged.

Chart 1

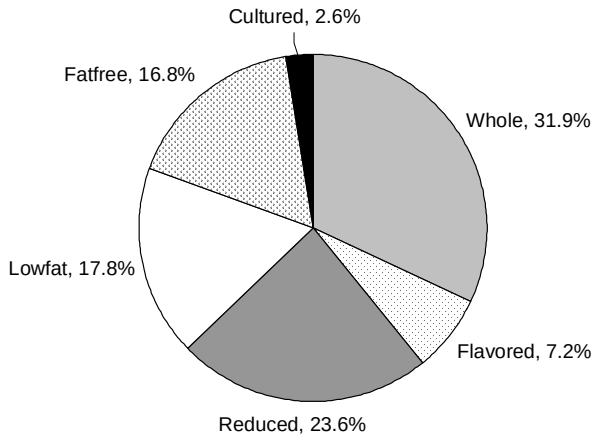
Sales by Container Size



* Only glass and paper.
** Includes plastic pints, 1/2 pints, 14, 13.5, 12, and 10-oz containers.
*** Includes plastic 5 & 6 gallons, glass and paper pints, and other sizes not shown.

Chart 2

Sales of Fluid Milk by Product Type



Method of Distribution

In the Order No. 1 marketing area, wholesale deliveries (from plant to retail outlet) accounted for 99.6 percent of total sales in the 2007 survey; home deliveries made up the remaining 0.4 percent. In 2005, wholesales accounted for 99.8 percent while home delivery equaled 0.2 percent. In 2007, of the wholesale total, 51.6 percent were to supermarkets; 15.9 percent to dairy and convenience stores; 6.7 percent to institutions such as schools and military; and 25.9 percent to other wholesales establishments such as superstores/ hypermarkets and wholesale clubs.❖

Market Service Tank Calibrations

The Market Service department bulk tank calibration trucks have begun to perform calibration checks of non-member producers' tanks. See the following schedule:

Calibration Truck Schedule, 2008

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

Annual *Bulletin* Available

The 2007 Annual Statistical *Bulletin* for the Northeast Milk Marketing Area is now available. The report summarizes pool and price data through a series of tables and charts. It 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.❖

Negative PPD *(continued from page 1)*

per pound in March. The NASS monthly average butter price also increased from $1.2301 per pound in February to $1.2512 in March. During the same time, NASS monthly prices for nonfat dry milk and dry whey continued to decline. However, the Class I price used to calculate the March uniform price, was set by commodity prices during 2 weeks in February when the cheese and butter markets were still in decline.

The result, based on the timing of the markets that set federal order prices as well as which commodities are used to determine the respective class price, is a decline of almost $3.00 per hundredweight in both the March Class I and Class II prices, a 50 cent decrease in the Class IV price, but an almost $1.00 per hundredweight increase in the Class III price. The March Class I price of $19.95 per hundredweight is just $1.95 per hundredweight higher than the Class III price of $18.00 per hundredweight. For the past 7 months, the Class I price averaged $5.05 dollars per hundredweight higher than Class III.

Because of the relative tightness between the Class I and Class II price and the relatively lower Class II and Class IV price, a uniform price is calculated that is below the Class III price, resulting in the negative PPD.

Going Forward

Looking forward to April, when all class prices reflect the higher commodity values together with the already announced Class I price of $21.86 per hundredweight, the PPD projects to be in the $1.20 to $1.40 per hundredweight range with a blend price nearly $1.00 higher in the $18.25 to $18.75 per hundredweight range.❖

Pool Summary for All Federal Orders, January–March 2008

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2007	2008	Change~	2007	2008	2007	2008
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**5,521,015,284**	**6,161,580,579**	**10.4**	**1.18**	**1.40**	**15.46**	**19.51**
5	Appalachian	1,572,171,870	1,483,657,020	(6.7)	N/A	N/A	15.88	20.85
6	Florida	866,816,846	831,866,266	(5.1)	N/A	N/A	17.02	22.11
7	Southeast	2,097,946,743	1,862,628,150	(12.2)	N/A	N/A	15.90	20.72
30	Upper Midwest	6,624,859,131	7,051,626,053	5.3	0.10	0.24	14.37	18.36
32	Central	2,817,320,299	3,033,233,632	6.5	0.03	0.11	14.31	18.22
33	Mideast	4,181,440,256	4,133,194,371	(2.2)	0.18	0.59	15.37	18.70
124	Pacific Northwest	1,822,845,205	1,698,038,413	(7.9)	(0.18)	(0.52)	14.09	17.60
126	Southwest	2,873,327,859	2,264,512,520	(22.1)	0.93	0.98	15.21	19.10
131	Arizona	966,261,121	1,058,976,953	8.4	N/A	N/A	14.49	18.19
	All Market Total/Average	29,344,004,614	29,579,313,957	(0.3)	0.37	0.47	15.21	19.34

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.
~ Adjusted for leap year.

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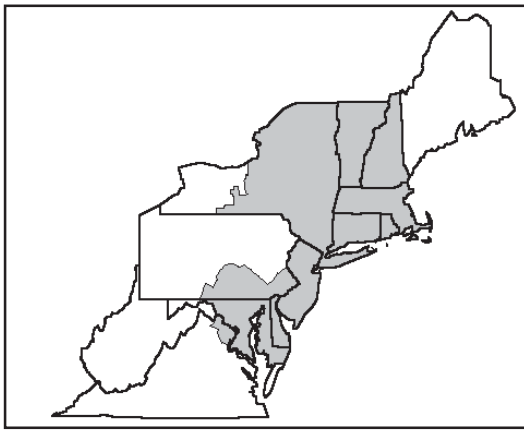
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	856,377,899	$15.79	135,222,070.25	
Butterfat	16,456,691	1.3463	22,155,643.09	
Less: Location Adjustment to Handlers			(2,797,294.93)	$154,580,418.41
Class II— Butterfat	29,883,487	1.3674	40,862,680.15	
Nonfat Solids	33,676,185	1.2489	42,058,187.46	82,920,867.61
Class III— Butterfat	20,792,130	1.3604	28,285,613.65	
Protein	15,626,289	4.3331	67,710,272.86	
Other Solids	29,000,079	0.0493	1,429,703.91	97,425,590.42
Class IV— Butterfat	13,530,926	1.3604	18,407,471.72	
Nonfat Solids	31,243,905	1.0833	33,846,522.28	52,253,994.00
Total Classified Value			***Total value of milk in the pool*** →	**$387,180,870.44**
Add: Overage—All Classes				91,479.20
Inventory Reclassification—All Classes				85,629.08
Other Source Receipts	116,804 Pounds			2,183.44
Total Pool Value			***Total value of producer components*** →	**$387,360,162.16**
Less: Producer Component Valuations @ Class III Component Prices				(400,068,914.96)
Total PPD Value Before Adjustments				**($12,708,752.80)**
Add: Location Adjustment to Producers				10,501,270.15
One-half Unobligated Balance—Producer Settlement Fund				830,828.99
Less: Producer Settlement Fund—Reserve				(970,906.15)
Total Pool Milk & PPD Value	2,134,145,326 Producer pounds			**($2,347,559.81)**
Producer Price Differential		**($0.11)**		
Statistical Uniform Price		**$17.89**		

Negative value from which PPD per hundredweight is calculated

* 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 2008 Federal Order No. 1

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

April Pool Price Calculation

The April 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $18.55 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $19.06 per hundredweight. April's statistical uniform price was $0.66 per hundredweight above March's price. The April producer price differential (PPD) at Suffolk County was $1.79 per hundredweight, $1.90 per hundredweight above last month's.

Cheese and nonfat dry milk prices dropped during April, while butter and dry whey prices rose. This resulted in higher butterfat and other solids prices, and lower protein and nonfat solids prices. Correspondingly, prices for Classes II and III declined, while Class IV increased; the Class I price also rose, based on March's increases in cheese and butter. With the Class I increase and Class III decrease, the prices returned to a more 'normal' spread resulting in a positive PPD.

The average producer butterfat test at 3.73 percent was the highest on record under the Order for the month of April.❖

Class I Sales by Non NMA Handlers Increases

In 2007 the total volume of Class I sales sold in the Northeast Marketing Area (NMA) by handlers not designated as pool distributing plants under the order (plants that bottle and sell Class I milk products in the NMA) rose 8.2 percent from the previous year. This follows an increase in 2006 of 10.4 percent and is up 19.5 percent over the last 5 years.

Handler Definitions

These handlers (non NMA) include producer-handlers (handlers who operate a dairy farm and a processing plant that has route sales in the NMA), exempt distributing plants (operations such as colleges and governmental agencies and those having sales less than 150,000 pounds a month) partially regulated handlers (operate plants that are not fully regulated under any federal order, but have route sales in the NMA and possibly also in one or more other federal orders), and handlers regulated by other federal orders (operate plants regulated by another federal milk marketing order, but have sales of packaged product in the NMA). Sales include package products sold in the marketing area, but

(continued on page 2)

Pool Summary

- A total of 13,839 producers were pooled under the Order with an average daily delivery per producer of 5,110 pounds.
- Pooled milk receipts totaled 2.122 billion pounds, an increase of 2.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.1 percent of total milk receipts, a decrease of 0.8 percentage points from March.
- The average butterfat test of producer receipts was 3.73 percent.
- The average true protein test of producer receipts was 3.03 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.1	850,244,520
Class II	19.6	417,027,999
Class III	24.0	508,950,231
Class IV	16.3	345,296,237
Total Pooled Milk		2,121,518,987

Producer Component Prices

	2008	2007
	$/lb	
Protein Price	3.7579	2.5212
Butterfat Price	1.4748	1.4657
Other Solids Price	0.0622	0.6008

Class Price Factors

	2008	2007
	$/cwt	
Class I	21.86	18.25
Class II	15.29	14.51
Class III	16.76	16.09
Class IV	14.56	16.12

Manufactured Dairy Products—2007 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2007 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table shows total production and annual change for selected products.

Cheese Production

Total cheese production (excluding cottage cheese) grew 1.8 percent in 2007 (down from 4.1 percent in 2006). American cheese production decreased 0.9 percent (compared to an increase of 2.7 percent in 2006) while Italian rose 4.1 percent (down from 4.5 in 2006).

American production accounted for 40.0 percent of all cheese, down from 41.1 percent in 2006. Italian accounted for 42.6 percent of all cheese, up from 41.7 the previous year. Hispanic cheese production rose 4.8 percent; this follows increases of 8.6 and 17.8 percent in 2006 and 2005, respectively.

Other Products

Butter production rose 5.8 percent in 2007 (compared to 7.5 percent in 2006). Yogurt (plain and fruit flavored) grew 5.3 percent (compared to 7.9 percent last year). Nonfat dry milk (NFDM) increased 4.4 percent; last year it rose 2.7 percent. The production of canned evaporated and condensed whole milk increased 2.4 percent (compared to last year's decline of 7.9 percent) while unsweetened skim condensed jumped 34.5 percent (compared to 15.1 percent in 2006). Production (for human use) of dry whey rose a slight 0.8 percent and whey protein concentrate dropped 5.6 percent. During 2006 these products both rose over 10 percent.

Selected U.S. Manufactured Dairy Products, 2006–2007

	2006	2007	Yr-to-Yr Change
	million pounds		percent
Cheese			
American^	3,913	3,878	(0.9)
Italian	3,973	4,134	4.1
Other*	1,639	1,688	3.0
Total Cheese#	9,525	9,700	1.8
Butter	1,448	1,533	5.8
Nonfat Dry Milk~	1,244	1,298	4.4
Condensed Skim**	1,218	1,639	34.5
Dry Whey~	1,064	1,073	0.8
Whey Protein Concentrate~	379	357	(5.6)
Yogurt	3,301	3,478	5.3
Ice Cream	982	951	(3.2)

^ Includes Cheddar, Colby, Monterey, and Jack.
* Includes Swiss, Muenster, brick, limburger, blue, Hispanic, cream/Neufchatel, and other varieties.
# Excludes cottage cheese.
** Unsweetened. ~ For human use.

Leading States

There was no change in the top cheese producing states during 2007: Wisconsin led, followed by California, Idaho, New York, and Minnesota. New York remained the largest producer of lowfat and creamed cottage cheese and sour cream; it was second in yogurt and dry whey and fourth in butter and mozzarella. Pennsylvania ranked third in butter and mozzarella production and fourth in the production of ice cream.

Wisconsin still recorded the largest number of dairy manufacturing plants (206), followed by New York (116), and California (108). Overall, the number of plants increased 1.4 percent in 2007; this follows an increase of 0.6 percent in 2006.❖

Class I Sales *(continued from page 1)*

not transfers of bulk product to plants regulated under the NMA. Overall these handlers accounted for 4.5 percent (428.3 million pounds) of total route sales in the marketing area, up from 4.2 percent in 2006 and 3.7 percent in 2002.

Sales by Type of Handler

Of the non NE order handlers, partially regulated plants accounted for the largest percentage of sales in the marketing area (1.5 percent of total in-area sales). Other federal order handlers accounted for the second largest portion (see accompanying table). The largest proportion of these other federal order sales (almost 89 percent) comes from plants regulated by the neighboring Mideast (#33) and Appalachian (#5) orders. The remaining volume is from handlers regulated under other distant federal orders who package specialty products that are sold in the Northeast area.

Northeast Order In-Area Route Sales by Handler Type

Year	Other Fed Orders	Partially Regulated	Producer Handlers	Exempt Distributors	Total Non NE Order	Fully Regulated Pool Distributors	Total In-Area Sales
	million pounds						
2007	136.7	140.8	114.3	36.5	428.3	9,052.0	9,480.3
2006	124.2	139.0	95.5	37.2	395.9	9,040.2	9,436.1
2002	90.9	158.0	69.1	40.1	358.1	9,414.2	9,772.3
Percentage of Sales:				percent			
2007	1.4	1.5	1.2	0.4	4.5	95.5	100.0
2006	1.3	1.5	1.0	0.4	4.2	95.8	100.0
2002	0.9	1.6	0.7	0.4	3.7	96.3	100.0
Change in Sales:							
2007–2006	10.1	1.3	19.7	(1.9)	8.2	0.1	0.5
2007–2002	50.4	(10.9)	65.4	(9.0)	19.6	(3.8)	(3.0)

* For handler definitions, see sections 1000.5–1001.10 of the Northeast Order.

Sales by producer-handlers accounted for 1.2 percent of total in-area sales, but on a volume basis, their 2007 total was up 19.7 percent from 2006 and 65.4 percent from 2002.

The definitions given above for the various types of handlers are general. For more information, see sections 1001.7–1001.10 of the Northeast Order.❖

Milk-Feed Price Ratio at Record Low

The April Milk-Feed Price Ratio, as reported by the USDA, National Agricultural Statistics Service, dipped to 1.90, its lowest level since the statistic was first reported in January 1985. The ratio is a commonly referred to indicator of the profitability of producing milk that focuses on the cost of feed, typically the largest input cost on a farm. A ratio below 2.5 generally signals a cutback in production. When the ratio rises above 3.0, there are signals to producers that it's profitable to expand milk production.

The price portion of the ratio does not include such things as over-order premiums, check-offs, or hauling costs. Prices used in the ratio are national and may not be indicative of milk and feed prices that exist in a particular region. The projected portion of the accompanying chart shows the milk-feed price ratio relative to the Northeast blend price (not the U.S. all-milk price).

How Low, For How Long?

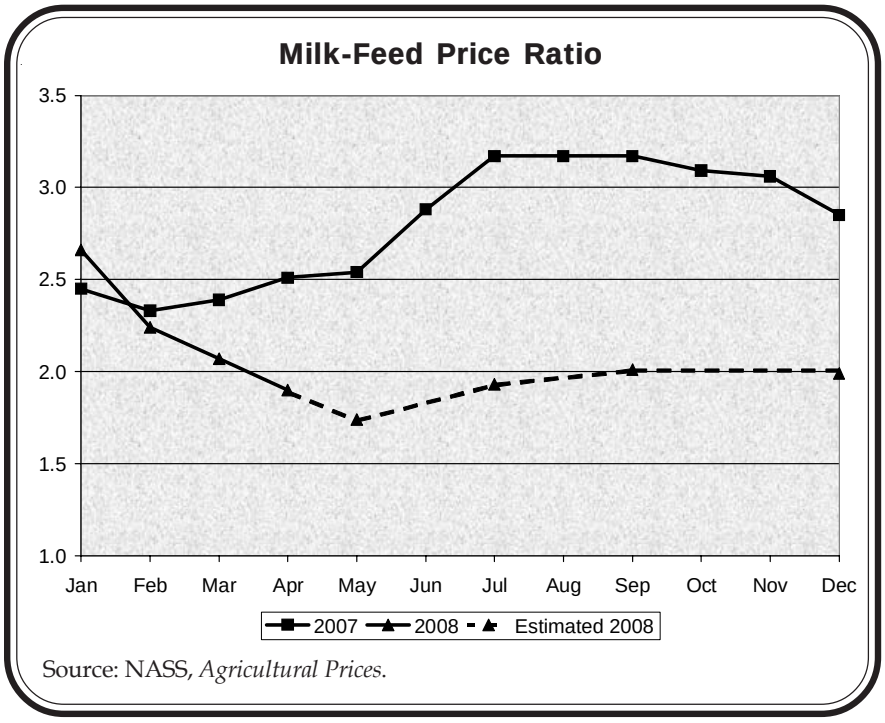
Using Chicago Mercantile Exchange (CME) futures prices for Class III and Class IV milk to predict a Northeast Order uniform price for the milk price portion of the milk-feed price ratio, and using the Chicago Board of Trade futures prices for corn and soybeans, and the most recent NASS hay price for the feed portion, the milk-feed price ratio projects to remain near or below 2.00 for the remainder of 2008, and may be as low as 1.74 in May. As of May 12, corn futures ranged from $6.27 to $6.55 per bushel through December 2008. Soybean futures ranged from $12.85 to $13.50 per bushel through December. In 2007, the corn price ranged from $3.05 to $3.76 per bushel, and the soybean price ranged from $6.38 to $10.00 per bushel.

Historically High Milk Price; High Enough?

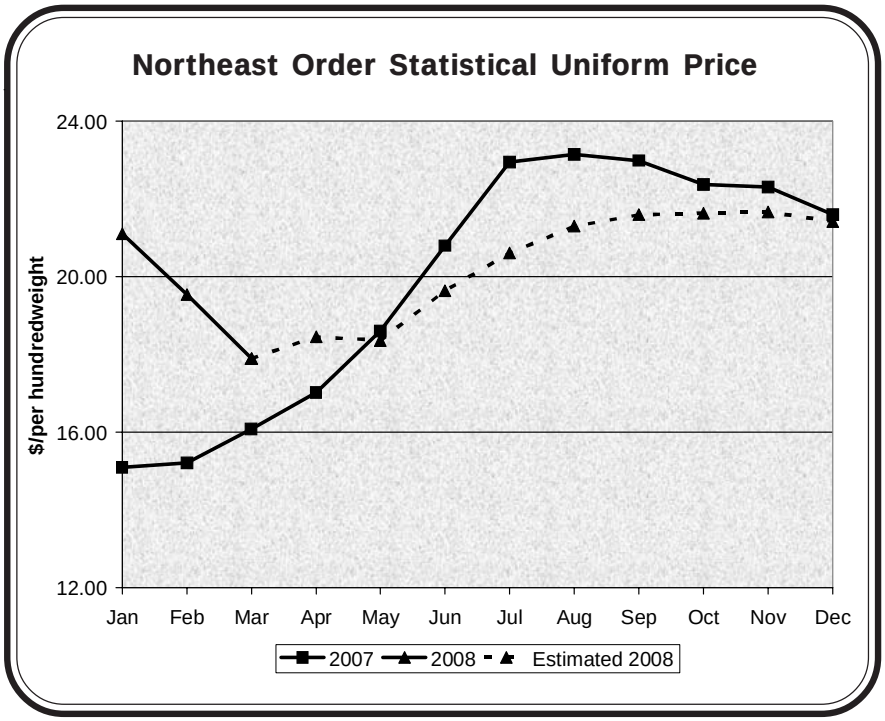
The impact of high feed costs is apparent, in that the 2008 Northeast uniform price was higher than in 2007 for the first four months of the year, but the milk-feed price ratio has been lower in 2008 then in 2007 from February through April. Though the 2008 average uniform price projects to the highest annual average on record, it will combine with possibly the lowest annual average milk-feed price ratio. So producers may see similar milk prices to last year, but they likely may see smaller profit margins.

Many Factors Could Impact Future Direction

It seems evident, that at current and projected feed costs, it may take record high milk prices for the industry to avoid contraction in supply. If feed prices remain high but consumer demand declines because of high product prices or a slowing economy, even lower ratio levels could result. Concerns about a contraction in the milk supply are playing a part in the strength in the CME cheese market, as buyers look to secure cheese for their needs later in the year. Once buyers are satisfied those needs will be met, the cheese market could fall back some. Currently, the export market, which, in March, saw significant volume gains in skim milk powder/nonfat dry milk, cheese, butterfat, and whey protein concentrate, is also continuing to buoy domestic milk prices. Continued strength in the export market may also be dependent on consumer reactions abroad to high food prices.❖



Source: NASS, *Agricultural Prices.*



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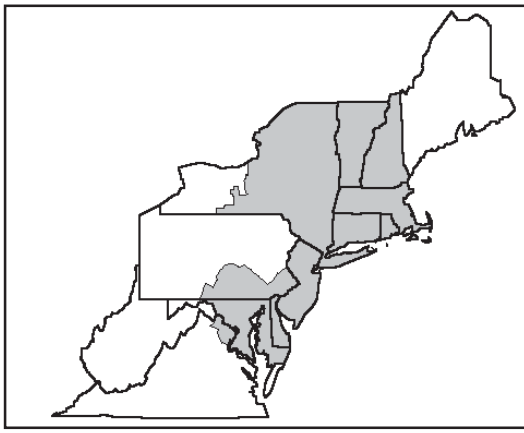
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	834,390,172	$17.64	147,186,426.34	
Butterfat	15,854,348	1.3808	21,891,683.72	
Less: Location Adjustment to Handlers			(2,729,401.94)	$166,348,708.15
Class II— Butterfat	30,131,485	1.4818	44,648,834.47	
Nonfat Solids	35,124,892	1.1633	40,860,786.88	85,509,621.35
Class III– Butterfat	19,549,944	1.4748	28,832,257.42	
Protein	15,483,203	3.7579	58,184,328.57	
Other Solids	29,011,700	0.0622	1,804,527.74	88,821,113.73
Class IV– Butterfat	13,669,259	1.4748	20,159,423.20	
Nonfat Solids	30,202,912	1.0827	32,700,692.79	52,860,115.99
Total Classified Value				**$393,539,559.22**
Add: Overage—All Classes				106,379.40
Inventory Reclassification—All Classes				157,324.44
Other Source Receipts	47,977 Pounds			2,482.07
Total Pool Value				**$393,805,745.13**
Less: Producer Component Valuations @ Class III Component Prices				(366,285,487.20)
Total PPD Value Before Adjustments				**$27,520,257.93**
Add: Location Adjustment to Producers				10,461,866.35
One-half Unobligated Balance—Producer Settlement Fund				1,036,734.00
Less: Producer Settlement Fund—Reserve				(1,042,809.57)
Total Pool Milk & PPD Value	2,121,566,964 Producer pounds			**$37,976,048.71**
Producer Price Differential		**$1.79**		
Statistical Uniform Price		**$18.55**		

* 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 2008 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

May Pool Price Calculation

The May 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $18.18 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $18.59 per hundredweight. May's statistical uniform price was $0.37 per hundredweight below April's price. The May producer price differential (PPD) at Suffolk County was $0.00 per hundredweight; last month the PPD was $1.79 per hundredweight. This is the first time since the Order's inception that the PPD was zero; it has been negative 4 times.

All commodity prices rose during May resulting in higher component prices. Due to advance pricing for Class I milk, the Class I price decreased from April while all other class prices rose. This tightened the spread between the Class I and III prices. Based on the Order's utilization of milk, the producer payout value nearly equaled the value of the pool, thus no pool revenue was returned in the PPD.

Depooled Milk

During May, approximately 115 million pounds of milk were depooled by handlers regulated under the Order. Most of this milk came out of Class III. Handlers with milk utilized in classes other than Class I can elect to depool milk depending on pricing relationships and their perceived value in being part of the federal order pool.❖

Changes to Class III and IV Price Formula

The U.S. Department of Agriculture issued a tentative partial final decision to amend the manufacturing (make) allowances contained in the Class III and IV price formulas applicable for all federal orders. A producer referendum is underway, concluding on July 11 in the Northeast Order, with referendum results to be announced by the Secretary of Agriculture at a later date. This decision was based on the record of the first session of a public hearing held in Strongsville, Ohio, on February 26, 2007; a second session held in Indianapolis, Indiana, on April 9, 2007; and a third session held in Pittsburgh, Pennsylvania, on July 9, 2007.
(continued on page 3)

Pool Summary

- A total of 13,253 producers were pooled under the Order with an average daily delivery per producer of 5,077 pounds.
- Pooled milk receipts totaled 2.086 billion pounds, a decrease of 4.9 percent from last month on an average daily basis. Approximately 115 million pounds of milk were depooled during May.
- Class I usage (milk for bottling) accounted for 42.9 percent of total milk receipts, 2.8 percentage points above April.
- The average butterfat test of producer receipts was 3.67 percent.
- The average true protein test of producer receipts was 3.03 percent, highest ever for May.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.9	895,285,234
Class II	20.3	422,332,586
Class III	19.1	398,058,193
Class IV	17.7	370,086,754
Total Pooled Milk		2,085,762,767

Producer Component Prices

	2008	2007
	$/lb	
Protein Price	4.1108	2.9424
Butterfat Price	1.5562	1.5706
Other Solids Price	0.0766	0.5791

Class Price Factors

	2008	2007
	$/cwt	
Class I	19.87	19.17
Class II	15.51	16.62
Class III	18.18	17.60
Class IV	15.26	18.48

Contribution to Producer Price by Components

Under component pricing, the proportion each component (butterfat, protein, and other solids) contributes to the overall producer blend price varies each month based on the respective average component tests and prices of each component. The accompanying table shows the contribution by component for the month of May for the years 2004, 2006, 2007 and 2008 using a hypothetical farmer producing 100,000 pounds of milk at the pool average component tests during that month. The year 2005 was omitted since it was quite similar to 2006 with very similar proportions. The examples do not take into account premiums, hauling charges, or any other producer payments or deductions.

Protein Contribution

During May 2008, the producer protein price was $4.1108 per pound, the highest value of the years compared. Based on the example, protein contributed nearly 67 percent of the total value of the average producer's pay price. For comparison, the protein price was $1.9115 per pound in May 2006 and contributed 45 percent of the pay price.

Butterfat Contribution

The producer butterfat price was $1.5562 per pound during May 2008 and contributed nearly 31 percent of the total value to the average producer's price. During May 2004, when the butterfat price was $2.4282 per pound, butterfat accounted for almost 44 percent of the average pay price. During May 2006 when the producer butterfat value was only $1.2582 per pound, butterfat accounted for nearly 36 percent of the total value of the producer price.

Other Solids

As the examples show, the proportion that the other solids component has contributed has varied greatly—from 2.4 percent in 2008 to 17.5 percent in 2007. Of course, the value is highly correlated with the price: in 2007, it was $0.5791 per pound as the value of nonfat dry milk, underlying the other solids price, soared; in 2008, it had dropped to $0.0766 per pound.

Producer Price Differential

The contributing value of the producer price differential (PPD) is probably the most variable of the factors. For example, in May 2004 it had a negative value, while in May 2006 when it was $1.78 per hundredweight, it contributed 13.8 percent. In the most recent example, May 2008, the PPD had no contributory value because all of the producers' price came from the value of their components. In May 2004, when it was negative, the Statistical Uniform Price (Blend) was $19.98 per hundredweight; in May 2006, when it equaled $1.78, the blend was only $12.89 per hundredweight. In addition, the average test value of the individual component also affects the contributed proportion of each individual producer's pay price.❖

Contribution to Total Gross Payment*

	May 2008				May 2007			
	Test percent	*Price per pound*	*Gross dollars*	*Contribution percent*	*Test percent*	*Price per pound*	*Gross dollars*	*Contribution percent*
Butterfat	3.67	1.5562	$5,711.25	**30.7**	3.63	1.5706	$5,701.28	**30.2**
True Protein	3.03	4.1108	$12,455.72	**66.9**	3.01	2.9424	$8,856.62	**46.9**
Other Solids	5.73	0.0766	$438.92	**2.4**	5.71	0.5791	$3,306.66	**17.5**
PPD		0.00	$0.00	**0.0**		1.00	$1,000.00	**5.3**
Total gross payment			$18,605.90				$18,864.56	
Gross price per cwt			**$18.61**				**$18.86**	

	May 2006				May 2004			
	Test percent	*Price per pound*	*Gross dollars*	*Contribution percent*	*Test percent*	*Price per pound*	*Gross dollars*	*Contribution percent*
Butterfat	3.67	1.2582	$4,617.59	**35.8**	3.59	2.4282	$8,717.24	**43.6**
True Protein	3.02	1.9115	$5,772.73	**44.8**	2.97	3.7639	$11,178.78	**56.0**
Other Solids	5.74	0.1251	$718.07	**5.6**	5.70	0.1444	$823.08	**4.1**
PPD		1.78	$1,780.00	**13.8**		(0.74)	-$740.00	**(3.7)**
Total gross payment			$12,888.40				$19,979.10	
Gross price per cwt			**$12.89**				**$19.98**	

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

Farm Bill Passed

On June 19, 2008, both the Senate and House of Representatives voted to override the President's veto of the Food, Conservation and Energy Act—the new farm bill. The Dairy section of the bill includes the following:

- Continuation of the Dairy Product Price Support Program, Dairy Forward Pricing Program, Dairy Export Incentive Program, and Dairy Indemnity Program

(continued on page 3)

Reporting Program Final Rule Issued

On June 17, the USDA issued a final rule that adopts amendments to the Dairy Products Mandatory Reporting Program that was established on August 2, 2007. For more information and background on this rule see the June 2007 *Bulletin*.

All comments received in response to the interim final rule, issued June 28, 2007, were considered in developing the final rule. All changes in the final rule from the interim rule concern price reporting; there are no changes concerning stock reporting. Certain products are now excluded in the reporting specifications:

- Products that are produced under faith-based close supervision and are marketed at a higher price than the manufacturer's wholesale market price for the basic commodity.
- Dairy Export Incentive Program sales or other premium-assisted sales.
- Products certified as organic by USDA-accredited certifying agents.

Another substantive change is that in calculating the total dollars received or dollars per pound, the reporting entity shall not deduct brokerage fees or clearing charges paid by the manufacturer. Other changes have been made in organization or content for greater clarity.

The final rule appeared in the June 17, 2008, Federal Register and became effective June 22, 2008.❖

Class III and IV Price *(continued from page 1)*

Product Price Formulas

The federal milk order system uses product price formulas to compute class prices which are the minimum prices handlers must pay for milk depending upon how it is utilized. As a simplified explanation, producers receive the average of the class prices weighted by the volume of milk in each class for the respective order(s) under which they are pooled in the form of the statistical uniform price or blend price.

The product price formulas contain a factor called a manufacturing (make) allowance. The make allowance factor is meant to represent an average cost manufacturers incur in converting raw farm milk into a finished product and, as used in the class price formula, is a subtracted value. Since USDA's National Agricultural Statistics Service (NASS) weekly survey of the selling prices of finished dairy products (cheese, butter, nonfat dry milk, dry whey) form the basis of federal order class prices (and what producers ultimately receive for their milk), by subtracting a make allowance in the product price formula, a value for the milk used in making those products can be established.

Make Allowance Changes

The decision amends the manufacturing allowances for cheese, butter, nonfat dry milk (NFDM), and dry whey. Specifically, the decision would adopt the following increased manufacturing allowances: cheese $0.2003 per pound; butter $0.1715 per pound; NFDM $0.1678 per pound; and dry whey $0.1991 per pound. This decision also proposes to increase the butterfat yield factor in the butterfat price formula from 1.20 to 1.211. The last time these formulas were changed was February 2007.

Had these new make allowances and butterfat yield factor been in effect for May 2008 pricing, the Class I price would have been 35 cents lower, the Class II price 27 cents lower, the Class III price 35 cents lower, the Class IV price 26 cents lower with a resulting 30 cents lower uniform price.

USDA has calculated in a dynamic analysis for the period 2008-2016 (an analysis that takes into account projected supply and demand responses on behalf of producers, processors and consumers from changing milk prices as a result of this formula change) the U.S. all milk price falling an average of $0.06 per hundredweight from their baseline projection.

Comment Period

Since this decision was published as a tentative partial final decision in the June 20 *Federal Register*, interested parties have 60 days, or until August 19, 2008, to submit comments on this action that will be taken into consideration before the eventual issuance of a final decision on this hearing issue. Comments (six copies) should be filed with the Hearing Clerk, Stop 9200-Room 1031, United States Department of Agriculture, 1400 Independence Avenue, SW., Washington, DC 20250-9200.

Comments may also be submitted at the Federal Rulemaking portal at: http://www.regulations.gov or by submitting comments via e-mail to: amsdairycomments@usda.gov. ❖

Farm Bill *(continued from page 2)*

- Revision of Federal Marketing Order Amendment Procedures
- Continuation of the Milk Income Loss Contract Program with adjustments made to the percentage used along with the addition of a National Average Dairy Feed Ration Cost factor used in calculating the price.
- Extension of the Dairy Promotion and Research Program
- Report on USDA Reporting Procedures for Nonfat Dry Milk
- Establishment of a Federal Milk Marketing Order Review Commission
- Mandatory Reporting of Dairy Commodities and Verification

For more detail on each of these topics, go to USDA's webpage: http://www.usda.gov/wps/portal/usdahome and click on the link for Farm Bill.❖

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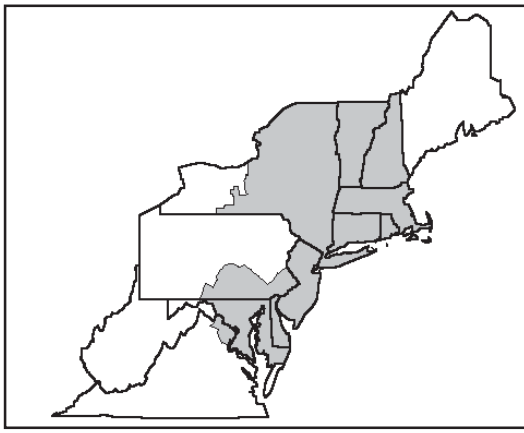
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	878,484,544	$15.15	133,090,408.42	
Butterfat	16,800,690	1.4988	25,180,874.17	
Less: Location Adjustment to Handlers			(2,860,955.78)	$155,410,326.88
Class II— Butterfat	30,821,422	1.5632	48,180,046.89	
Nonfat Solids	35,557,104	1.1556	41,089,789.38	89,269,836.27
Class III– Butterfat	16,624,732	1.5562	25,871,407.91	
Protein	12,019,229	4.1108	49,408,646.57	
Other Solids	22,649,253	0.0766	1,734,932.80	77,014,987.28
Class IV– Butterfat	12,291,779	1.5562	19,128,466.50	
Nonfat Solids	32,560,794	1.1301	36,796,953.31	55,925,419.81
Total Classified Value				**$377,620,570.24**
Add: Overage—All Classes				116,102.86
Inventory Reclassification—All Classes				412,401.10
Other Source Receipts	45,627 Pounds			662.51
Total Pool Value				**$378,149,736.71**
Less: Producer Component Valuations @ Class III Component Prices				(387,838,818.76)
Total PPD Value Before Adjustments				**($9,689,082.05)**
Add: Location Adjustment to Producers				9,871,586.22
One-half Unobligated Balance—Producer Settlement Fund				836,089.10
Less: Producer Settlement Fund—Reserve				(1,018,593.27)
Total Pool Milk & PPD Value	2,085,808,394 Producer pounds			**$0.00**
Producer Price Differential		**$0.00**		
Statistical Uniform Price		**$18.18**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

June 2008 Federal Order No. 1

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

June Pool Price Calculation

The June 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $19.56 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $19.68 per hundredweight. June's statistical uniform price was $1.38 per hundredweight above May's price. The June producer price differential (PPD) at Suffolk County was -$0.69 per hundredweight; last month the PPD was $0.00 per hundredweight. This is the fifth time since the Order's inception that the PPD was negative.

All commodity prices rose during June resulting in higher component prices. In addition, all class prices rose. Since the Class III price was the second highest of the class prices (only $1.18 below the Class I price), but had the lowest volume of any of the classes, the overall pool value was lowered considerably. When compared to the payout value to producers, who are paid at the Class III component values, the result was a negative PPD. For more information, see article below.

Depooled Milk

During June, approximately 187 million pounds of milk were depooled by handlers regulated under the Order. Approximately 88 percent of this milk came out of Class III, with 4 percent from Class II and the remaining 8 percent from Class IV. Due to the volume and classification of the milk depooled, the estimated impact was a 6-cent per hundredweight reduction to the SUP. Under the Order, milk depooled during May had to remain out of the pool during June also. This milk can come back onto the pool in July; any producers not brought back onto the pool during July cannot be pooled on the Northeast Order from December 2008 through June 2009.❖

Referendum and the Rulemaking Process

The just concluded producer referendum on the amended Northeast Milk Marketing Order—incorporating changes to the Class III and Class IV make allowances and the butterfat yield factor—and upon which producers or their cooperatives recently voted, is the first of two referendums to be held on this issue.

(continued on page 3)

Pool Summary

- A total of 12,578 producers were pooled under the Order with an average daily delivery per producer of 4,858 pounds.
- Pooled milk receipts totaled 1.833 billion pounds, a decrease of 9.2 percent from last month on an average daily basis. Approximately 187 million pounds of milk were depooled during June.
- Class I usage (milk for bottling) accounted for 43.8 percent of total milk receipts, an increase of 0.9 percentage points from May.
- The average butterfat test of producer receipts was 3.61 percent.
- The average true protein test of producer receipts was 2.98 percent.
- The average other solids test of producer receipts was 5.71 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.8	802,122,472
Class II	22.7	415,780,752
Class III	16.7	306,574,510
Class IV	16.8	308,705,633
Total Pooled Milk		1,833,183,367

Producer Component Prices

	2008	2007
	$/lb	
Protein Price	4.7193	3.7059
Butterfat Price	1.6160	1.6457
Other Solids Price	0.0826	0.5831

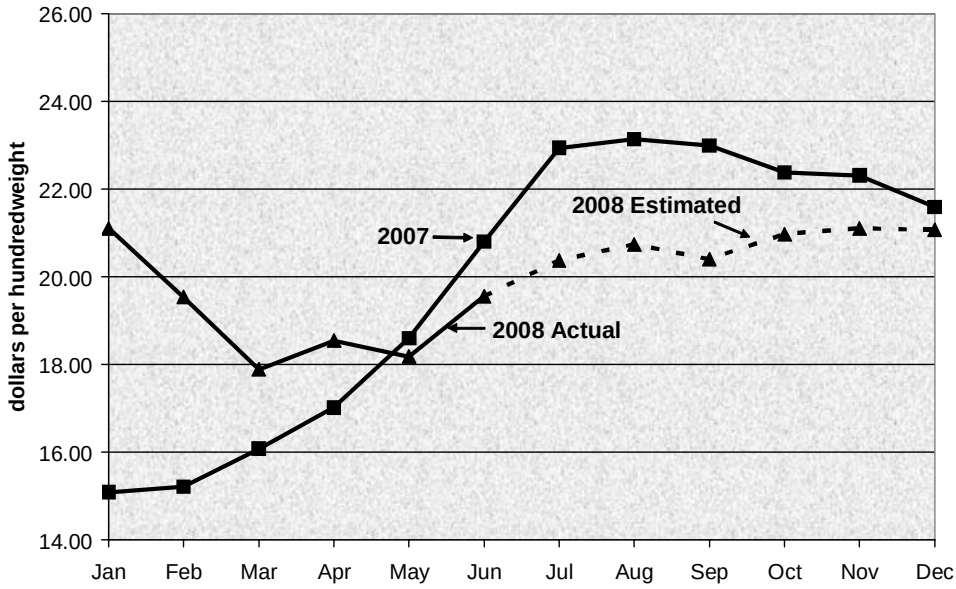
Class Price Factors

	2008	2007
	$/cwt	
Class I	21.43	21.09
Class II	16.19	18.89
Class III	20.25	20.17
Class IV	15.92	20.76

Negative PPD, but Higher SUP

Even though the producer price differential (PPD) was negative for all zones in the Northeast Order in June, the statistical uniform price (SUP) was the highest since January. As mentioned in the March 2008 Bulletin, a negative PPD represents a producer's per-hundredweight share of the amount that producer milk components exceed the value of milk in the pool.

When prices rise or fall rapidly, the spread between class prices widens or tightens causing inversions in the prices that, when combined with changes in class utilization, affect the value of the pool. Since producers are always paid based on their components at the Class III value, these changes cause wide swings in the PPD. Regardless of the level of the PPD, producers who are not members of cooperatives still receive an amount represented by the SUP, of course, each producer's SUP will vary depending on their individual component tests, location of the plant to which their milk was shipped, and other hauling, premiums, and negotiated payments. Cooperative members may receive a different price depending on cooperative policy.



Prices to Rise

Based on Chicago Mercantile Exchange (CME) futures dated July 15, commodity prices are expected to continue to rise throughout the rest of the year. Through December, CME futures prices for butter range from $1.4400 to $1.5725 per pound; nonfat dry milk futures ranged from $1.4100 to $1.4500 per pound; and dry whey futures ranged from $.2425 to $.2800 per pound. Class III futures ranged from $18.12 per cwt in July to $19.91 per cwt in November; Class IV futures ranged from $16.95 per cwt for July to $17.50 per cwt in November and December. Uniform prices are expected to be over $20.00 per hundredweight; the PPD is projected to be positive during this period (see accompanying chart).❖

Pool Summary for All Federal Orders, January–June, 2007–2008

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2007	2008**	Change~	2007	2008	2007	2008
		pounds		percent	dollars per hundredweight			
1	Northeast	11,268,311,582	12,202,045,700	7.7	1.02	0.88	17.13	19.14
5	Appalachian	2,998,262,688	2,928,588,628	(2.9)	N/A	N/A	17.43	20.35
6	Florida	1,705,104,733	1,631,301,631	(4.9)	N/A	N/A	18.43	21.93
7	Southeast	4,059,309,257	3,561,935,017	(12.7)	N/A	N/A	17.43	20.42
30	Upper Midwest	12,420,308,118	13,379,910,426	7.1	0.06	0.09	16.17	18.35
32	Central	5,430,219,142	5,648,429,998	3.4	(0.08)	(0.30)	16.03	17.96
33	Mideast	8,334,764,546	8,023,319,966	(4.3)	0.05	0.14	16.62	18.40
124	Pacific Northwest	3,567,691,553	3,380,641,534	(5.8)	(0.02)	(0.82)	16.10	17.44
126	Southwest	4,792,201,919	4,709,549,746	(2.3)	0.82	0.47	16.93	18.73
131	Arizona	1,977,205,798	2,172,705,243	9.3	N/A	N/A	16.38	17.95
	All Market Total/Average	56,553,379,336	57,638,427,889	1.4	0.31	0.08	16.86	19.06

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.
~ Adjusted for leap year. **A significant amount of milk was depooled during May and June 2008.

Producer Referendum *(continued from page 1)*

The more normal process requires a recommended decision and comment period, followed by a single referendum on a final decision and then a final rule. Because it was determined in this case that emergency marketing conditions existed, a tentative final decision was issued instead. The decision was also partial, which is explained later. Due to the tentative nature of the decision, the process results in an interim order. A 60-day comment period is opened, which in this case ends August 19, during which the industry can submit comments on the already released decision. After receiving and considering comments to the tentative final decision, USDA will issue a final decision on the same topic, which will trigger the second referendum on the same issue. Before the change to the order can be implemented permanently, USDA needs to again determine from voting that producers favor adopting the order as amended on a permanent basis.

The tentative decision process allows for quicker implementation of order amendments to address the emergency nature of the issue, while still allowing for additional comments and possible changes to the interim order before a final decision is released.

In short, when the rulemaking process is on an emergency basis, voting is conducted twice. The first time is to determine approval on a temporary basis (responding to the emergency nature of the issue), and a second time to determine approval on a permanent basis. The accompanying diagram depicts the rulemaking process on this issue; completed steps are bold-framed.

Decision Partial in Nature

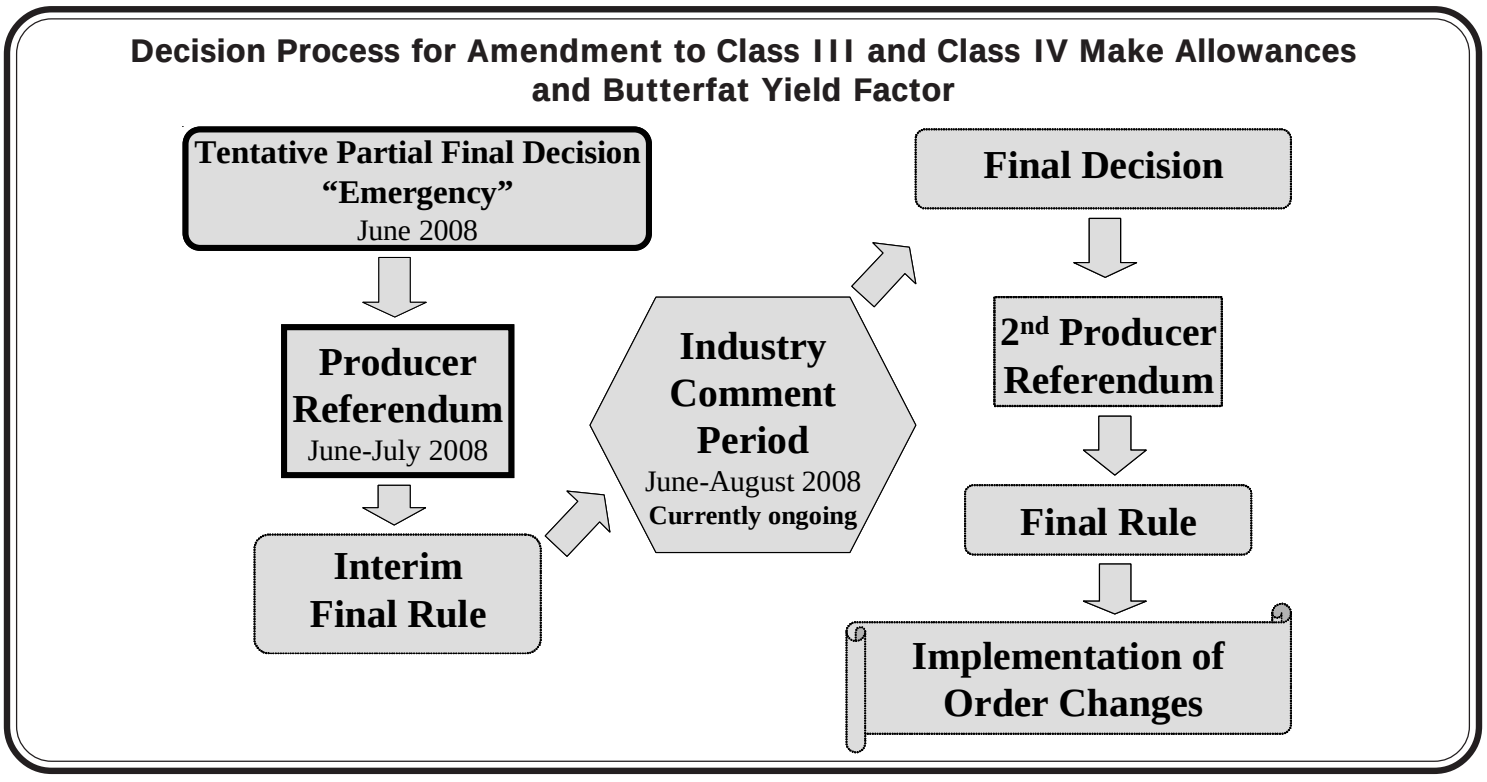
Nineteen proposals were published in the hearing notice with a 20th published in a supplemental hearing notice. The current referendum addresses Proposal 1, which seeks to amend the Class III and lass IV make allowances, and a portion of Proposal 6, which seeks to amend the butterfat yield factor. This partial tentative decision also addresses Proposals 3-16 and 18 which all sought to change various features of the Class III and Class IV product-price formulas. Proposal 2, seeking to establish a manufacturing cost survey that would be used to update make allowances annually; Proposal 17, seeking to establish a monthly energy cost adjustment; and Proposal 20, seeking to establish a cost of production add-on that manufacturers could include in their selling price but would not be included in the determination of NASS survey prices, will be addressed in a separate recommended decision, thus the partial nature of the current decision.

Farm Bill Sets Rulemaking Timeline

The recently signed farm bill included a revision of federal marketing order amendment procedures. The new guidelines state that a final decision on a proposed amendment shall be issued no later than 60 days after the deadline for submission of comments. The decision process with regard to the current Class III and Class IV make allowance decision is not covered by the new farm bill guidelines as the procedures began prior to the effective date of the legislation.

Referendum Conclusion

Results will be released once all ballots are tabulated and approved by USDA, with the Secretary of Agriculture announcing the results of the referendum and the implementation date of the amended order, if approved❖.



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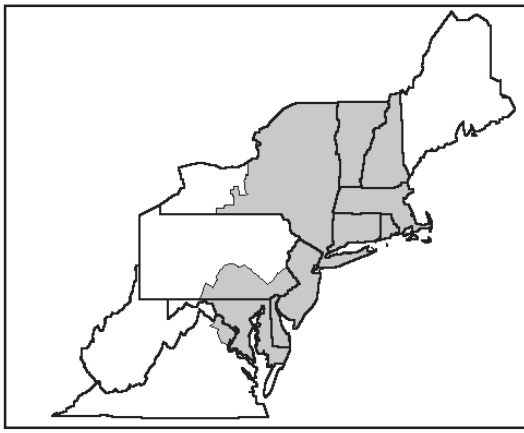
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	786,983,321	$16.42	129,222,661.31	
Butterfat	15,139,151	1.5950	24,146,945.85	
Less: Location Adjustment to Handlers			(2,588,425.23)	$150,781,182.03
Class II— Butterfat	29,966,082	1.6230	48,634,951.13	
Nonfat Solids	34,751,244	1.2100	42,049,005.24	90,683,956.37
Class III— Butterfat	12,028,356	1.6160	19,437,823.28	
Protein	9,140,715	4.7193	43,137,776.30	
Other Solids	17,426,076	0.0826	1,439,393.88	64,014,993.46
Class IV— Butterfat	9,040,445	1.6160	14,609,359.13	
Nonfat Solids	27,062,091	1.1819	31,984,685.34	46,594,044.47
Total Classified Value			***Total value of milk in the pool*** →	**$352,074,176.33**
Add: Overage—All Classes				93,320.11
Inventory Reclassification—All Classes				228,625.88
Other Source Receipts	46,421 Pounds			383.94
Total Pool Value			**Total value of**	**$352,396,506.26**
Less: Producer Component Valuations @ Class III Component Prices			***producer components*** →	(373,499,584.08)
Total PPD Value Before Adjustments				**($21,103,077.82)**
Add: Location Adjustment to Producers				8,570,177.64
One-half Unobligated Balance—Producer Settlement Fund				758,964.08
Less: Producer Settlement Fund—Reserve				(875,349.44)
Total Pool Milk & PPD Value	1,833,229,788 Producer pounds			**($12,649,285.54)**
Producer Price Differential		**($0.69)**		
Statistical Uniform Price		**$19.56**		

Negative value from which PPD per hundredweight is calculated

* 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 2008 Federal Order No. 1

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

July Pool Price Calculation

The July 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $20.61 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $20.59 per hundredweight due to the pool protein test averaging 2.95 percent. July's statistical uniform price was $1.05 per hundredweight above June's price. The July producer price differential (PPD) at Suffolk County was $2.37 per hundredweight, an increase of $3.06 per hundredweight from last month.

Commodity prices for butter and nonfat dry milk rose during July, while prices for cheese and dry whey declined. As a result, butterfat and nonfat solids price rose while protein and other solids prices dropped. Correspondingly, there was an increase in Class II and Class IV prices, which are based off of butter and nonfat dry milk (butterfat and nonfat solids). The Class III price, based mainly off of cheese (protein), declined.

Depooled Milk Back on Order

During July, milk that had been depooled during May and June was repooled onto the Order. The increase in pooled volume did not account for the depooled milk in June. If that milk had been part of the June pool, the actual change in pooled volume for July would have been a decrease of 1.8 percent on an average daily basis.❖

USDA Releases Interim Final Rule

On July 31, the U.S. Department of Agriculture issued an interim final rule amending the Class III and Class IV product price formulas in all Federal milk marketing orders.

These amendments are the result of the recently concluded referendum and will be effective September 1, 2008. The amendments will be used in the computation of the September Class I Price and Advanced Pricing Factors announced on August 22. The Class and Component Prices announced on September 5 for August milk will not use the amended provisions; the announcement on October 3 will use these provisions.

A copy of the interim final rule may be obtained by contacting the Market Administrator's office or may be accessed at the Northeast Order website, www.fmmone.com, under the Hearings and Proposals for Hearings section.❖

Pool Summary

- A total of 13,796 producers were pooled under the Order with an average daily delivery per producer of 4,794 pounds.
- Pooled milk receipts totaled 2.051 billion pounds, an increase of 8.2 percent from last month on an average daily basis, not adjusting for the depooled milk in June.
- Class I usage (milk for bottling) accounted for 40.5 percent of total milk receipts, a decrease of 3.3 percentage points from June.
- The average butterfat test of producer receipts was 3.58 percent.
- The average true protein test of producer receipts was 2.95 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.5	831,107,629
Class II	21.1	432,240,210
Class III	23.6	484,025,367
Class IV	14.8	303,157,631
Total Pooled Milk		2,050,530,837

Producer Component Prices

	2008	2007
	$/lb	
Protein Price	4.0025	4.2068
Butterfat Price	1.6774	1.6110
Other Solids Price	0.0707	0.5534

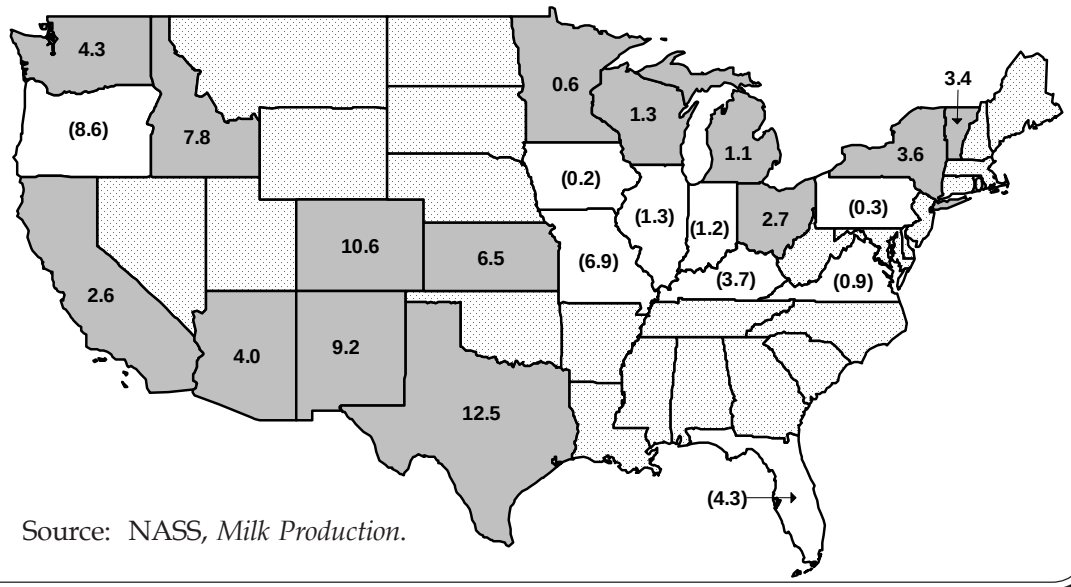
Class Price Factors

	2008	2007
	$/cwt	
Class I	24.03	24.16
Class II	16.81	21.40
Class III	18.24	21.38
Class IV	16.60	21.64

Milk Production Strong for First Half of Year

During the first 6 months of 2008, total milk production in the United States grew 2.4 percent, compared to 1.0 percent for the same period in 2007. All comparisons have been adjusted for leap year. See accompanying map for individual state year-to-year changes.

January–June 2008 Milk Production in the Top 23 Milk Producing States (Year-to-Year Percent Change)



Source: NASS, *Milk Production*.

Top Producing States

California, Wisconsin, and New York continue to be the top three milk producing states, although Idaho is closing in on New York—especially with an increase of 7.8 percent for the six month period. The only other top-23 states to show greater increases during this period were Texas (12.5 percent), Colorado (10.6 percent), and New Mexico (9.2 percent). Of the top-23 states, only 8 showed decreases in production.

Overall, the top-ten milk producing states are up a combined 3.4 percent for the first six months of 2008. This compares with a year-to-year increase of 1.7 during the same period in 2007. Texas and New Mexico, with their substantial increases, moved up in the ranking and pushed Michigan down to ninth place.

Northeast Changes

In the Northeast, the states making up New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) had a combined increase of 2.9 percent for the January-June 2008 period. When the other states supplying the Northeast market (New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, and West Virginia) are added, the combined increase was 1.7 percent for the period. The top 3 contributing states in the Northeast Marketing Area (NY, PA, and VT) had a combined increase of 1.9 percent from last year. During the same period in 2007, these combined states showed decreases.❖

Commodity Prices Unsettled

During the past few weeks, prices for cheese on the Chicago Mercantile Exchange (CME) have been changing dramatically-increasing and decreasing significantly within the same week. In addition, CME Grade AA butter prices have risen suddenly.

Block Prices

During the week ending July 25, 40-pound block Cheddar prices jumped 9.3 cents per pound. During the week ending August 1, block prices rose slightly on Monday and Tuesday and then plummeted 11.25 cents on Wednesday and another 13.25 cents per pound on Thursday. For the week they averaged 8.65 cents per pound less than the prior week. The following week (ending August 8), block prices continued to decline through Thursday and then jumped 6.25 cents on Friday, averaging 21.05 cents per pound below the previous week. In summary, average weekly prices dropped 29.7 cents per pound in just 2 weeks. Since the end of May block prices have declined 50.25 cents per pound.

Barrel Prices

For the week ending July 18, the barrel price had increased 7 cents per pound. During the week ending July 25, barrel prices rose another 2.05 cents. For the week ending August 1, barrels rose 5.25 cents per pound on Monday, dropped 9.25 cents on Tuesday, and then plummeted an unprecedented 28 cents per pound on Wednesday. Surprisingly, on Thursday barrel prices recovered somewhat, rising 15 cents, and held on Friday. They averaged 9.8 cents per pound less than the previous week. During the week ending August 8, they declined through Wednesday, and then increased on both Thursday and Friday, averaging 12.4 cents per pound less than the prior week. Overall, barrel prices dropped 22.2 cents in 2 weeks and 50.85 cents per pound since the end of May.

Some industry experts claim that higher retail prices for dairy products, coupled with weakening consumer

(continued on page 3)

Farm Bill Extends, Strengthens MILC, Adds Feed Cost Adjustor

The recently signed farm bill extended the Milk Income Loss Contract (MILC) program through August 31, 2012. While the MILC program has not paid out since 2006 due to high milk prices, it historically has returned over $1.2 billion to dairy farmers. Under the revised MILC program, the calculation of any MILC payments will include a feed cost adjustor (detailed below). It also bases the payment on 45 percent of the difference between the Class I price at Boston, MA, and the program's base price beginning October 1, 2008, and ending August 31, 2012. The program will still pay on 34 percent of the difference for the period October 1, 2007, through September 30, 2008. It returns to a 34 percent rate September 1, 2012, and thereafter.

How Feed Adjustor Works

The feed adjustor sets a baseline feed cost of $7.35 per hundredweight, a starting point based on average corn, soybeans, and alfalfa hay prices in 2007. This number represents the weighted average of corn prices (51 percent), alfalfa prices (41 percent), and soybeans prices (8 percent) that USDA currently uses in establishing the Milk-Feed Price Ratio. Each month, USDA will use this formula to produce a new weighted average based on the most current pricing. USDA will then calculate the percentage change between the $7.35 baseline and the new monthly figure. After that, it takes 45 percent of that percentage increase, and adds it to the $16.94 base price to create a new, higher trigger price. This new trigger price is what is compared to the Class I price in Boston, MA, for that month and used in the calculation.

When or if the feed prices fall below the $7.35 per hundredweight index, the current $16.94 per hundredweight MILC target will remain. Thus in the case that commodity prices were to fall, the feed adjustor calculation can never decrease the trigger price for any reason.

The result is that MILC payments would be made when milk is at a higher price than in the 2002 Farm Bill based on cost of feed. This will strengthen the MILC program to help farmers when prices are low relative to their feed costs but still higher than $16.94. The accompanying table shows the new feed adjusted MILC base price under this new calculation for the fiscal year 2007-08, using the most recent final feed prices. Though the changes will be retroactive to October 1, 2007, no date has been set for making claims under the new calculation. No payments have been triggered since October 1, 2007, based on the new calculations.

Production Cap Increased

In addition, the program has increased the production cap from 2.4 billion pounds per fiscal year, to 2.985 billion pounds per fiscal year, for the period beginning October 1, 2008, and ending August 31, 2012. The cap returns to 2.4 billion pounds per fiscal year beginning September 1, 2012.❖

MILC Base Trigger Price with Feed Cost Adjustor, 2008 Fiscal Year (October 2007–September 2008)

	2007			2008							
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Class I Price:	24.84	24.70	23.29	24.22	22.93	19.95	21.86	19.87	21.43	24.03	21.72
MILC Base Trigger Price:	16.94	16.94	16.94	16.94	16.94	16.94	16.94	16.94	16.94	16.94	16.94
Feed Cost Adjusted Base Trigger Price:	16.94	16.94	17.14	17.31	18.15	18.39	19.18	19.74	19.98	20.34 *	
MILC Payment with Feed Cost Index:	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

*Based on preliminary feed prices.

Commodity *(continued from page 2)*

purchasing power, have slowed sales. During the April-July 2008 period, prices for dairy products were 10 percent higher than a year ago, according to the Bureau of Labor Statistics' Consumer Price Index data. In addition, US milk production has been strong making milk available for cheese production (see related article on page 2).

Butter Prices

CME Grade AA butter prices had been hovering in the low to mid $1.50's per pound range since the end of June. On August 1, the price increased 3.5 cents per pound, rose 2.25 cents the following Monday and then jumped 7.25 cents on Tuesday to $1.67 per pound, the highest cash price since September 2005. It held for 2 days and then dropped 2 cents on Friday, averaging 10.45 cents per pound higher than the previous week. According to USDA's Dairy Market News, cream supplies for churning have tightened; CME butter inventories are the lowest they have been in the past 4 years. For the January-June 2008 period, butterfat exports were up 7-fold from the same period in the previous year, likely lifting butter prices.❖

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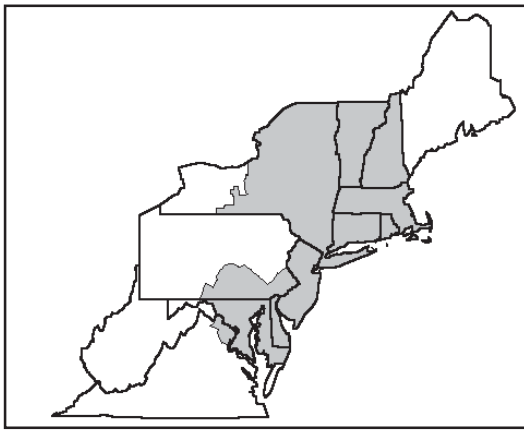
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	815,233,050	$18.95	154,486,662.98	
Butterfat	15,874,579	1.6411	26,051,771.60	
Less: Location Adjustment to Handlers			(2,681,748.37)	$177,856,686.25
Class II— Butterfat	30,680,333	1.6844	51,677,952.89	
Nonfat Solids	36,018,833	1.2567	45,264,867.44	96,942,820.33
Class III— Butterfat	17,626,241	1.6774	29,566,256.65	
Protein	14,353,447	4.0025	57,449,671.68	
Other Solids	27,572,606	0.0707	1,949,383.25	88,965,311.58
Class IV— Butterfat	9,137,389	1.6774	15,327,056.30	
Nonfat Solids	26,461,132	1.2358	32,700,666.97	48,027,723.27
Total Classified Value				**$411,792,541.43**
Add: Overage—All Classes				107,991.04
Inventory Reclassification—All Classes				193,093.50
Other Source Receipts	72,277 Pounds			4,027.90
Total Pool Value				**$412,097,653.87**
Less: Producer Component Valuations @ Class III Component Prices				(373,697,451.46)
Total PPD Value Before Adjustments				**$38,400,202.41**
Add: Location Adjustment to Producers				10,264,229.97
One-half Unobligated Balance—Producer Settlement Fund				763,337.16
Less: Producer Settlement Fund—Reserve				(828,475.65)
Total Pool Milk & PPD Value	2,050,603,114 Producer pounds			**$48,599,293.89**
Producer Price Differential		**$2.37**		
Statistical Uniform Price		**$20.61**		

* 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 2008 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

August Pool Price Calculation

The August 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $19.50 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $19.76 per hundredweight. August's statistical uniform price was $1.11 per hundredweight below July's price. The August producer price differential (PPD) at Suffolk County was $2.18 per hundredweight, a decrease of 19 cents per hundredweight from last month.

All commodity prices decreased except butter. As a result, component prices for protein, other solids and nonfat solids all declined while butterfat rose slightly. The Class I price, set in advance, dropped over $2.00 due mainly to the decline in cheese prices during the first 2 weeks of July. The continued drop in cheese prices was reflected in the Class III price that decreased nearly $1.00 from the previous month. The Class II price rose 64 cents from July, bringing it above the Class III price for the first time in 6 months; the Class IV price rose slightly.

The average producer component tests for butterfat, protein, and other solids were record-setting for the month of August.❖

Formula Changes Delayed

On August 29, the USDA issued a statement delaying the implementation of the Interim Final Rule published July 31, 2008, that amended the manufacturing cost allowances and butterfat yield factor used in Class III and IV product price formulas. The effective date, which had been September 1, 2008, was moved to October 1, 2008. A complaint had been filed in the U.S. District Court for the District of Columbia to block the implementation. It was thought that the 1 month delay would allow sufficient time for a preliminary injunction hearing, which took place on September 16, 2008.

At that time it was expected that the Advanced Prices and Pricing Factors for the month of October 2008 would be released on its scheduled date, September 19, and use the new formulas. On September 17, USDA and the District Court agreed to postpone the release of this announcement until September 23, 2008, in order to

(continued on page 3)

Pool Summary

- A total of 13,677 producers were pooled under the Order with an average daily delivery per producer of 4,674 pounds.
- Pooled milk receipts totaled 1.982 billion pounds, a decrease of 3.4 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 1.6 percentage points from July.
- The average butterfat test of producer receipts was 3.62 percent.
- The average true protein test of producer receipts was 3.01 percent.
- The average other solids test of producer receipts was 5.69 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.1	835,115,077
Class II	21.9	434,618,292
Class III	22.9	452,808,414
Class IV	13.1	259,199,796
Total Pooled Milk		1,981,741,579

Producer Component Prices

	2008	2007
	$/lb	
Protein Price	3.6497	3.9412
Butterfat Price	1.7413	1.5872
Other Solids Price	0.0529	0.4368

Class Price Factors

	2008	2007
	$/cwt	
Class I	21.72	25.01
Class II	17.45	22.41
Class III	17.32	19.83
Class IV	16.64	21.87

Milk Components Above Average

Average pool component tests in the Northeast market area have been running higher than the component averages for the Order's first 8 years. In fact, the August 2008 pool had a record high average test for all three components producers are paid on.

Though all components still follow a typical pattern of seasonality, they have done so at higher levels. The increase in average protein tests has been the most dramatic, averaging .04 percentage points higher than the 8-year average in 2007, and .03 percentage points higher in 2008. Butterfat tests averaged .02 percentage points higher than the 8-year average in 2007, and .01 percentage points higher in 2008. Other solids tests averaged .02 percentage points higher than the 8-year average in both 2007 and 2008.

The range in high and low average monthly tests has remained very consistent. During 2000 through 2002, the range from high to low of the average monthly tests for butterfat, protein, and other solids, was .25, .17, and .07 percentage points, respectively. During the most recent 3 years, the range from high to low of the average monthly tests for butterfat, protein, and other solids, was .26, .17, and .07 percentage points, respectively.

Protein

The average protein test at pool set or matched a record high for the month in 7 of the 12 months from September 2007 to August 2008. Typically, protein tests reach their highest level during the month of November and lowest in July. An all time record of 3.15 percent was set in November 2007.

Butterfat

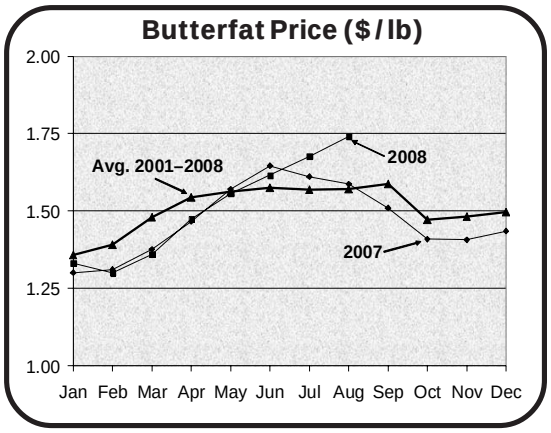
The average butterfat test at pool set or matched a record high for the month in 5 of the past 9 months since December 2007. Typically, butterfat tests peak between November and January of the year and are lowest in July. The all time record of 3.84 percent was matched in December 2007.

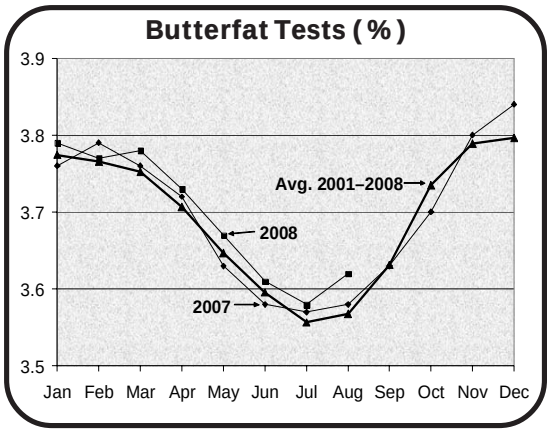
Other Solids

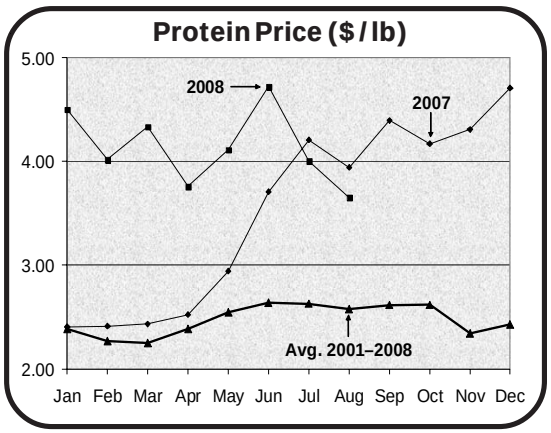
The average other solids test at pool set or matched a record high for the month in 7 of the 12 months from September 2007 to August 2008. Typically, other solids tests peak during May of the year and are lowest in September.

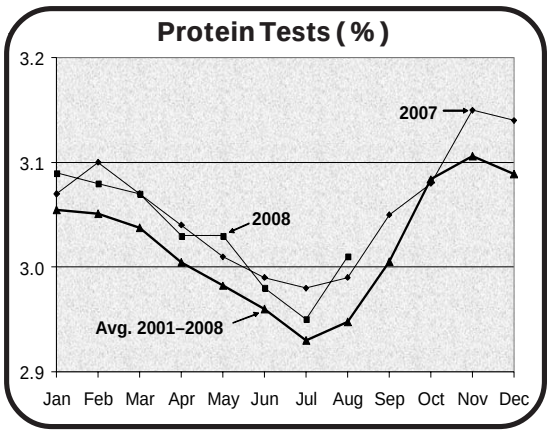
Tests Respond to Price Levels

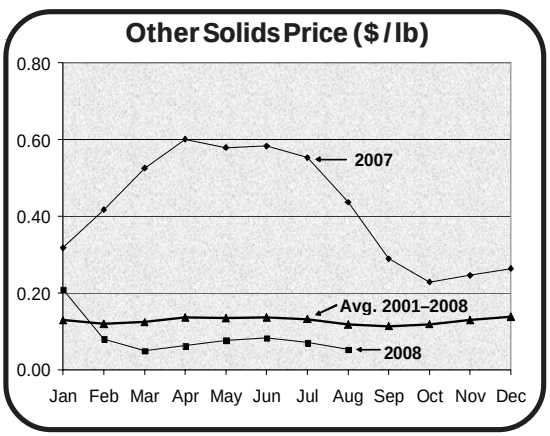
Herd component levels can be increased through feed and genetics management, among other things. Average component tests rising simultaneously with component values, as has been the case in 2008, suggests that producers are responding to component price signals. The average annual protein price has risen fairly consistently (except in 2005 and 2006) and has averaged $4.14 per pound in 2008. Unlike the up and down nature seen in butterfat and other solids prices, increasing protein prices appear to be a more bankable outcome and producers may be managing their herds in response to that signal. The accompanying charts show average monthly component tests and prices for 2007 and 2008 and the average for all years under the Northeast Order.❖

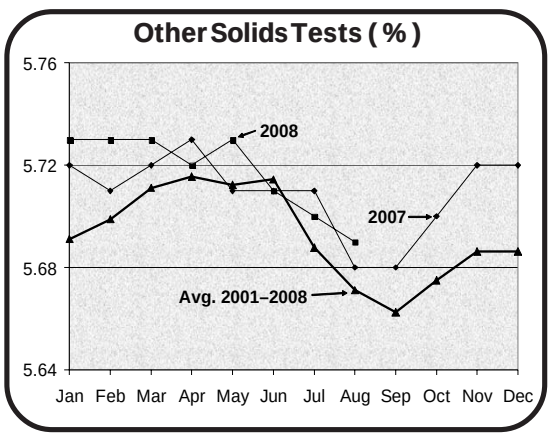












Changes in Utilization

For the January through August 2008 period, there have been notable changes in how milk pooled on the Northeast Order has been utilized in the respective classes. In addition to milk received from producers each month, utilization accounts for ending inventory, shipments to nonpool plants, milk used for fortification, shrinkage, overages, and interhandler differences.

Overall, utilization has risen 5.4 percent for the 8-month period compared to 2007. Utilization is categorized by the different use classes. Class I includes fluid milk products; Class II primarily includes mostly "soft" products such as cottage and ricotta cheese, sour cream, yogurt, ice cream, and packaged creamers; Class III mainly consists of the "hard" cheeses such as American, mozzarella, and Swiss, but also includes cream cheese; and Class IV includes butter, dried products, and condensed products. The accompanying table shows changes for selected products by class.

Northeast Order Utilization for Selected Products for January–August, 2008

	Product	Volume Utilized	Change from Previous Year
		million pounds	percent
Class I	Whole	1,994.7	(6.0)
	Reduced	1,461.6	2.9
	Lowfat	1,093.4	1.9
	Fatfree	966.8	0.5
	Flavored	350.8	(2.4)
	*Total Class I**	7,561.0	(1.5)
Class II	Prepared foods	417.9	5.8
	Cottage	378.5	(5.6)
	Ricotta	117.1	(5.4)
	Sour Cream	135.6	(2.3)
	Yogurt	226.7	(9.9)
	Ice Cream	1,248.7	4.9
	*Total Class II**	3,394.7	(2.0)
Class III	American	1,103.7	(4.7)
	Cream cheese	446.2	6.6
	Italian	1,988.8	5.3
	Swiss & Other	172.5	3.1
	*Total Class III**	3,738.7	1.1
Class IV	Condensed	182.1	14.3
	Butter	120.4	(3.3)
	Dried Products	1,791.7	57.4
	*Total Class IV**	3,323.8	47.3
Total Utilization		18,075.6	5.4

* Class totals do not add as they include other categories not shown such as inventory, shrinkage, and overages.

Class I Usage Declined

Total Class I utilization has declined 1.5 percent. The volume used as sales in the marketing area declined 1.2 percent from the previous year. The difference includes sales out of the marketing area and other categories mentioned above. Decreases occurred in whole milk, flavored milk and drinks (lowfat), and buttermilk and eggnog. Reduced fat (2%), lowfat (1%), and fatfree (skim) all showed increases for the 8-month period.

Class II Down

Milk used for Class II purposes declined 2.0 percent compared to the same period in 2007. Decreases occurred in cottage and ricotta cheese, yogurt, and sour cream. The volume of milk used for prepared foods such as bakery, candy, and soup products increased, as did ice cream; packaged cream grew slightly.

Class III Volume Rises Slightly

Overall, Class III utilization rose 1.1 percent. Increases occurred in cream cheese, Italian cheeses, and Swiss and other cheeses; American cheese usage declined.

Class IV Usage Jumps

Pooled milk used in making Class IV products increased 47.3 percent. Dried milk products jumped 57.4 percent from 2007 and condensed products rose 14.3 percent. Milk used in making butter declined 3.3 percent.

Price Response

Class I prices during this time period have averaged the highest ever since the Order's inception. The decline in fluid milk sales (Class I utilization) is likely impacted by these high prices. In addition, nonfat dry milk prices were their highest during 2007, doubling from the previous year. In response, manufacturers have increased production in an attempt to meet demand. The increase in milk used in dried products has grown nearly 60 percent during the first 8 months of 2008; in turn, the nonfat dry milk price has declined 20 percent compared to the 2007 average.❖

Formulas *(continued from page 1)*

provide sufficient opportunity for the Court's consideration of the motion for preliminary injunction. At the time of publication of this *Bulletin*, the District Court had not yet issued a decision on the legal challenge.

The announcement of September Class III and Class IV prices and the Class II butterfat price (Announcement of Class and Component Prices) scheduled for October 3, 2008, will not be affected by this delay.❖

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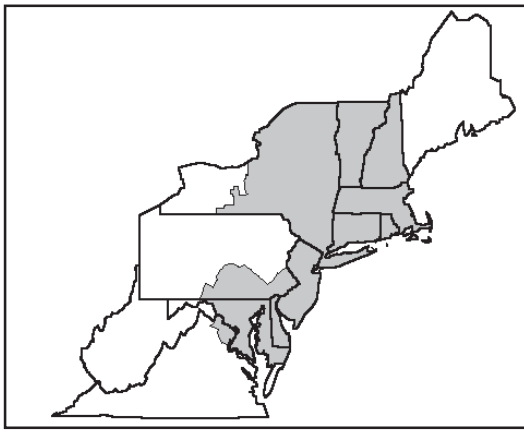
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	818,902,761	$16.30	133,481,150.04	
Butterfat	16,212,316	1.7129	27,770,076.08	
Less: Location Adjustment to Handlers			(2,691,822.63)	$158,559,403.54
Class II— Butterfat	29,239,199	1.7483	51,118,891.62	
Nonfat Solids	36,578,124	1.3044	47,712,504.96	98,831,396.58
Class III— Butterfat	17,313,410	1.7413	30,147,840.86	
Protein	13,622,789	3.6497	49,719,093.04	
Other Solids	25,686,657	0.0529	1,358,824.16	81,225,758.06
Class IV— Butterfat	8,905,307	1.7413	15,506,811.08	
Nonfat Solids	22,656,266	1.2147	27,520,566.29	43,027,377.37
Total Classified Value				**$381,643,935.55**
Add: Overage—All Classes				69,155.09
Inventory Reclassification—All Classes				134,871.27
Other Source Receipts	49,576 Pounds			2,054.33
Total Pool Value				**$381,850,016.24**
Less: Producer Component Valuations @ Class III Component Prices				(348,307,639.44)
Total PPD Value Before Adjustments				**$33,542,376.80**
Add: Location Adjustment to Producers				9,742,495.69
One-half Unobligated Balance—Producer Settlement Fund				753,891.64
Less: Producer Settlement Fund—Reserve				(835,716.97)
Total Pool Milk & PPD Value	1,981,791,155 Producer pounds			**$43,203,047.16**
Producer Price Differential		**$2.18**		
Statistical Uniform Price		**$19.50**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

September 2008 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 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $18.90 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $19.49 per hundredweight. September's statistical uniform price was 60 cents per hundredweight below August's price. The September producer price differential (PPD) at Suffolk County was $2.62 per hundredweight, an increase of 44 cents per hundredweight from last month.

Similar to August, all commodity prices decreased except butter. As a result, component prices for protein, other solids and nonfat solids all declined while butterfat rose slightly. The Class I price, set in advance, declined 82 cents due to the continued decline in cheese prices during the 2 weeks of August that were used in calculating the September price. Cheese prices dropped further, but rebounded slightly during the last week of the month; still the Class III price declined over $1.00 from the previous month. The Class II price was down 13 cents from August and the Class IV price dropped $1.19 per hundredweight. September prices were not affected by the Interim Final Rule; changes to price formulas took effect with prices for October. See article on page 2.

The average producer component tests for butterfat and protein were record-setting for the month of September while the other solids test tied the previous September record.❖

First CCC Purchase in Over 2 Years

During the week of October 6-10, the Commodity Credit Corporation (CCC) purchased 8,287,414 pounds of nonfortified nonfat dry milk. This was the first purchase of nonfat dry milk since July 2006.

In addition, there were no purchases of butter or cheese during the marketing year (MY) that recently ended on September 30, 2008. The last purchases of butter were in June 2003; cheese was last purchased in July 2003. The MY ended with no uncommitted inventories. The last inventories were reported at the end of MY 2004 when 609 million pounds of nonfat dry milk were held.❖

Pool Summary

- A total of 13,675 producers were pooled under the Order with an average daily delivery per producer of 4,587 pounds.
- Pooled milk receipts totaled 1.882 billion pounds, a decrease of 1.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 46.5 percent of total milk receipts, an increase of 4.4 percentage points from August.
- The average butterfat test of producer receipts was 3.69 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.68 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	46.5	874,930,974
Class II	21.6	406,969,095
Class III	23.2	435,902,740
Class IV	8.7	163,819,500
Total Pooled Milk		1,881,622,309

Producer Component Prices

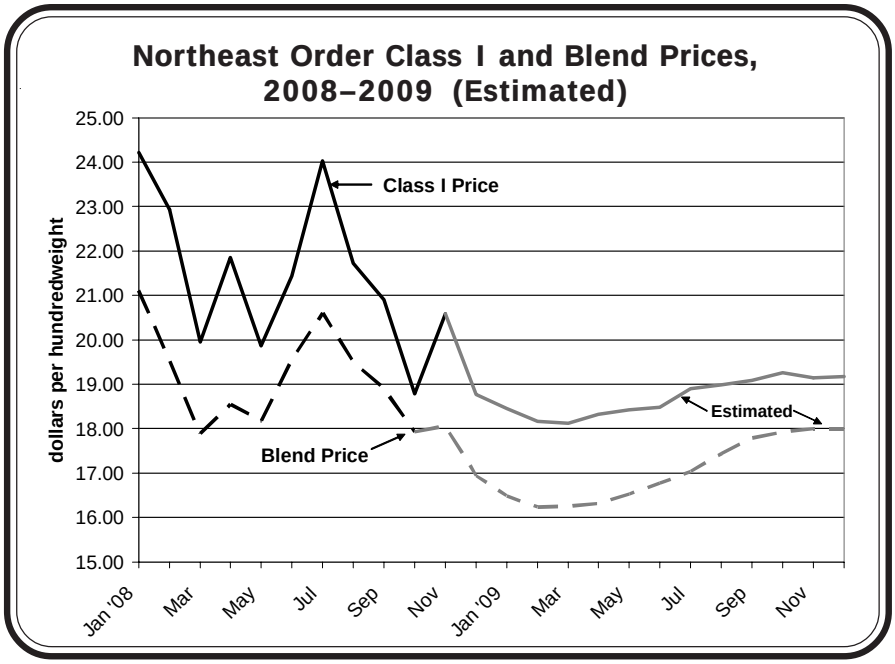
	2008	2007
	$/lb	
Protein Price	3.2689	4.3929
Butterfat Price	1.8196	1.5101
Other Solids Price	0.0234	0.2890

Class Price Factors

	2008	2007
	$/cwt	
Class I	20.90	25.16
Class II	17.58	22.16
Class III	16.28	20.07
Class IV	15.45	21.61

Class I Price Affected by Many Factors

The October Class I price announced on September 23 equaled $18.78 per hundredweight (cwt). This price was calculated using the formulas containing the revised manufacturing allowances and butterfat yield factor contained in the Interim Final Rule published in the Federal Register July 31, 2008. There was a delay in releasing the price, which was originally scheduled to be announced on September 19, due to a complaint filed in the U.S. District Court for the District of Columbia (see August 2008 *Bulletin*). USDA agreed to delay the announcement in order to provide the Court sufficient opportunity for consideration of the motion for preliminary injunction, which sought to enjoin implementation of the revised make allowances. The Court denied the motion, which was then appealed to the D.C. Circuit Court; that was also rejected.



Overall, the October Class I price was $2.12 per cwt below September's price. Most of the decrease in the price was due to the decline in market prices for some of the commodities that are used in the price formulas: block and barrel cheese, nonfat dry milk, and dry whey. Grade AA butter also is part of the formula, but butter prices increased slightly during the weeks used in the calculation. About 30 cents of the decline was due to the change in the price formula.

Class I Price Calculation

Only 2 weeks of prices are used in calculating the Class I price. The change in the market prices used to calculate the Class I price from September to October reflected a decline of nearly 18 cents for cheese, almost 12 cents for nonfat dry milk, and 2 cents for dry whey.

Using Chicago Mercantile Exchange (CME) futures for the last 3 months of 2008, blend prices are projected to fall slightly below $17.00 per cwt by December, but average in the high $18.00 per cwt range for the year (see accompanying chart). This is based on the already announced October Class I price and projected prices for November above $20.00 and December below $19.00 per hundredweight, possibly the lowest price for the year. Looking ahead, Class I prices are expected to remain in the low $18.00 to low $19.00 per cwt range during 2009. Next month we will publish a revised 2009 price estimate.❖

Pool Summary for All Federal Orders, January–September, 2007–2008

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2007	2008**	Change~	2007	2008	2007	2008
		pounds		percent	dollars per hundredweight			
1	Northeast	17,115,292,250	18,115,940,425	5.8	1.54	1.38	19.10	19.32
5	Appalachian	4,415,186,284	4,374,224,696	(0.9)	N/A	N/A	19.56	20.59
6	Florida	2,435,658,053	2,360,941,969	(3.1)	N/A	N/A	20.57	22.43
7	Southeast	5,760,496,194	5,191,794,824	(9.9)	N/A	N/A	19.50	20.79
30	Upper Midwest	19,415,003,795	20,922,092,230	7.8	0.23	0.25	17.78	18.18
32	Central	8,290,338,947	8,634,131,331	4.1	0.41	0.17	17.97	18.10
33	Mideast	12,354,589,903	11,994,732,510	(2.9)	0.57	0.61	18.43	18.54
124	Pacific Northwest	5,321,753,167	5,332,283,990	0.2	0.45	(0.30)	18.01	17.63
126	Southwest	7,590,738,558	7,571,118,510	(0.3)	1.28	0.99	18.83	18.92
131	Arizona	2,860,112,930	3,130,079,422	9.4	N/A	N/A	18.30	18.13
All Market Total/Average		85,559,170,081	87,627,339,907	2.4	0.75	0.52	18.80	19.26

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.
~ Adjusted for leap year. **A significant amount of milk was depooled during May and June 2008.

Northeast Mailbox Prices Vary by Region

The mailbox price of milk represents the net price a producer receives for a hundredweight of milk, taking into account the gross value (the value received for components and producer price differential) of the milk plus premiums for that milk. From this value, cooperative dues, hauling, the market administrator fee, Cooperatives Working Together (CWT) assessment, and national and local promotion assessments are subtracted.

For the purpose of reporting mailbox prices in the Northeast Order, the market area has been divided into three sub regions: New England, New York, and Pennsylvania. Of the three major regions within the Northeast Marketing Area, the average mailbox price for New England tends to be the highest, followed by Pennsylvania and then New York. For the period January 2007 through July 2008, the average mailbox price was $19.98 per hundredweight in New England, $19.58 in Pennsylvania, and $19.02 in New York (See accompanying chart). The gross value portion of the mailbox price reflects the difference in the differentials at the location the milk is marketed. Thus, if a larger portion of milk produced in New England is marketed at locations with higher differentials compared to the milk produced in New York, the gross value portion of the mailbox price will be higher for New England than New York.

Total Pounds of Milk Delivered by Region and Differential Zone Delivered To, June 2008

Location Differentials	New England*		New York		Pennsylvania	
	pounds	percent	pounds	percent	pounds	percent
2.35 and below	4,049,943	1.4	286,090,448	38.0	7,529,611	1.2
2.40–2.55	43,858,144	15.3	180,165,806	23.9	14,252,182	2.3
2.60–2.70	30,881,641	10.8	95,404,066	12.7	27,865,460	4.5
2.80–2.95	9,115,616	3.2	5,998,004	0.8	361,636,057	58.3
3.00–3.10	81,454,958	28.5	60,880,886	8.1	196,771,765	31.7
3.15 and above	116,611,651	40.8	124,440,785	16.5	12,698,631	2.0
Total	285,971,953	100.0	752,979,995	100.0	620,753,706	100.0

* New England states include Connecticut, Maine, Massachusetts, New Hampshire, and Rhode Island.

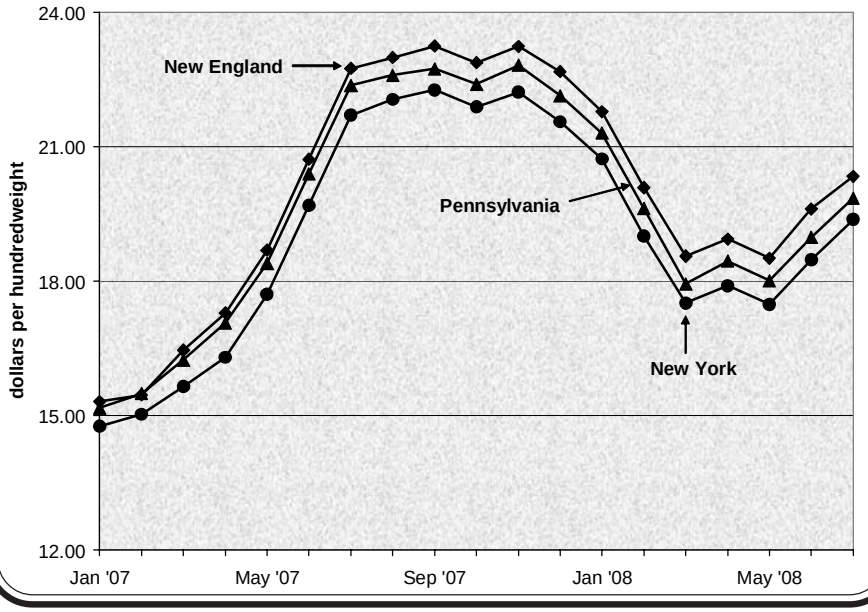
Deliveries by Zone

Daily delivery data, which indicate the pickup and final destination of farm milk, collected by the market administrator for June 2008 can be used to show into which differential zone milk from each region mentioned ends up (See accompanying table). The market administrator does not yet collect daily delivery data from all handlers, but the data represent 98 percent of total pounds pooled in June 2008. These data show that 69.3 percent of milk produced in New England is marketed to plants in a $3.00 or higher differential zone, 40.8 percent in the $3.15 or higher zone. Though just 2 percent of Pennsylvania milk is marketed in the $3.15 zone or higher, 90 percent is marketed in the $2.80 to $3.10 zones. Almost 75 percent of the milk produced in New York is marketed in zones $2.70 or lower, 38 percent in zones below $2.35. These data provide evidence indicating that where a region's milk is marketed within the Northeast Marketing Area impacts the average mailbox price received by producers within that region.

Premiums and Hauling

There are differences between these three regions with respect to average premiums paid and average hauling charged, but these differences make up a smaller portion of the overall differences in mailbox prices. For the January 2007 through July 2008 period, premiums averaged $0.21 higher than hauling in New England, premiums averaged $0.15 higher than hauling in New York, and premiums averaged $0.04 higher than hauling in Pennsylvania. These differences could also be attributable to the where and what type of plant the milk is marketed to. Class I milk tends to earn higher premiums. If a greater portion of New England milk also goes to Class I plants, this could also explain higher premiums in that region. A larger portion of Pennsylvania milk goes to higher differential zones but the milk travels further to do so, which may reduce the margin between premiums and hauling for that region.❖

Mailbox Prices by Regions within the Northeast, January 2007–June 2008



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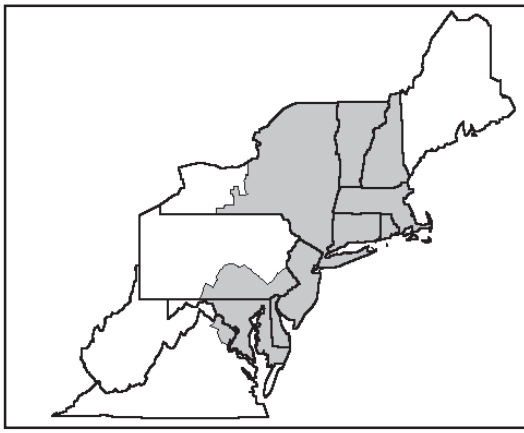
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	858,478,588	$15.23	130,746,288.95	
Butterfat	16,452,386	1.7736	29,179,951.81	
Less: Location Adjustment to Handlers			(2,842,084.17)	$157,084,156.59
Class II— Butterfat	28,755,725	1.8266	52,525,207.27	
Nonfat Solids	34,339,029	1.2878	44,221,801.59	96,747,008.86
Class III— Butterfat	17,105,448	1.8196	31,125,073.19	
Protein	13,346,445	3.2689	43,628,194.03	
Other Solids	24,690,687	0.0234	577,762.02	75,331,029.24
Class IV— Butterfat	7,211,006	1.8196	13,121,146.54	
Nonfat Solids	14,273,861	1.0455	14,923,321.67	28,044,468.21
Total Classified Value				**$357,206,662.90**
Add: Overage—All Classes				199,120.11
Inventory Reclassification—All Classes				147,608.26
Other Source Receipts	73,137 Pounds			3,267.52
Total Pool Value				**$357,556,658.79**
Less: Producer Component Valuations @ Class III Component Prices				(317,391,122.66)
Total PPD Value Before Adjustments				**$40,165,536.13**
Add: Location Adjustment to Producers				9,118,845.99
One-half Unobligated Balance—Producer Settlement Fund				801,028.51
Less: Producer Settlement Fund—Reserve				(784,989.90)
Total Pool Milk & PPD Value	1,881,695,446 Producer pounds			**$49,300,420.73**
Producer Price Differential		**$2.62**		
Statistical Uniform Price		**$18.90**		

* 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 2008 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

October Pool Price Calculation

The October 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.44 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $18.48 per hundredweight. October's statistical uniform price was $1.46 per hundredweight below September's price. The October producer price differential (PPD) at Suffolk County was 38 cents per hundredweight, a decrease of $2.24 per hundredweight from last month.

During October, commodity prices for butter and cheese rose while prices for nonfat dry milk and dry whey declined. As a result, component prices for butterfat and protein increased while the nonfat solids price and other solids price both dropped. The decline in the whey price put it below its make allowance resulting in a negative value (see related article on page 2). The Class I price, set in advance, declined $2.12 per hundredweight due to the lower prices during the first 2 weeks of September that were used in calculating the October price. Cheese prices rebounded during October raising the Class III price 78 cents over September. The Class II price fell nearly $1.00 while the Class IV price dropped $1.83 from the previous month.

Class I usage for October was the smallest volume for that month since the Order's inception. The average producer component tests for butterfat and protein were record-setting for the month of October.❖

Dairy Forward Pricing Program

U.S. Department of Agriculture announced a final rule establishing the Dairy Forward Pricing Program as directed by the Food, Conservation and Energy Act of 2008. This program will allow milk producers and cooperative associations to voluntarily enter into forward price contracts with milk handlers for milk used for non-fluid purposes. The program exempts handlers regulated under the federal milk order program from paying producers and cooperative associations of producers the minimum federal order price for milk under forward contract.

Under the program milk handlers may pay producers or cooperatives a negotiated contract price, rather than the federal order minimum price

(continued on page 3)

Pool Summary

- A total of 13,641 producers were pooled under the Order with an average daily delivery per producer of 4,570 pounds.
- Pooled milk receipts totaled 1.932 billion pounds, a decrease of 0.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 47.4 percent of total milk receipts, an increase of 0.9 percentage points from September.
- The average butterfat test of producer receipts was 3.79 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.69 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	47.4	916,367,009
Class II	19.4	375,817,576
Class III	21.6	416,872,273
Class IV	11.6	223,327,334
Total Pooled Milk		1,932,384,192

Producer Component Prices

	2008	2007
	$/lb	
Protein Price	3.5490	4.1695
Butterfat Price	1.8507	1.4092
Other Solids Price	(0.0047)	0.2286

Class Price Factors

	2008	2007
	$/cwt	
Class I	18.78	24.84
Class II	16.60	21.90
Class III	17.06	18.70
Class IV	13.62	21.31

Other Solids Price Goes Negative

The October other solids price is $-0.0047 per pound, the first time the other solids price has been negative since July 2003. The negative price occurs because the market price for dry whey is less than the make allowance in the other solids price formula. Since federal orders use manufactured product prices to set the base milk price, the market prices are adjusted back to a milk value price via a formula. The formula used to calculate the other solid price is: **Other Solids = (NASS Dry Whey Price - 0.1991) × 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.
- 0.1991 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.

The dry whey make allowance was increased from 0.1956 to 0.1991 effective in October 2008, reflecting higher costs of drying/manufacturing dry whey. Had the previous make allowance been in effect for October, the dry whey price would have been $-0.0011, still negative, but slightly less so.

As an example of how this negative price impacts a farm's bottom line, for a farm producing 100,000 pounds of milk a month, with an average other solids test of 5.69, the October other solids price would have cost the producer $26.74 total in the month's milk check.

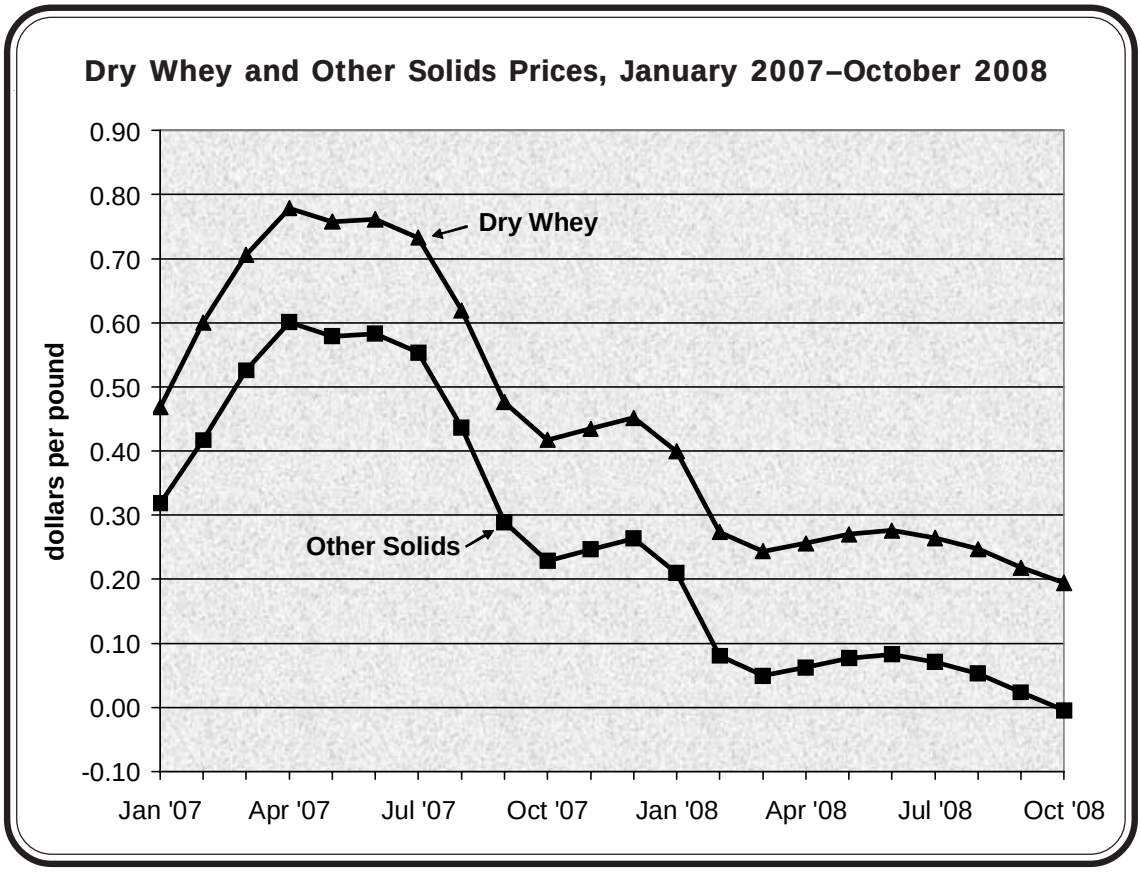
From Record High Price to Negative

In 2007, the other solids price hit a record high of $0.6008 per pound in April and was above $0.40 per pound for 7 months. Other solids averaged $0.08 per pound from January 2000 through September 2006. The record high other solids price in April 2007 was a result of the record high dry whey price that same month. Since that time, in just 18 months, the dry whey market price has fallen 75 percent. Though negative, the current other solids price level is closer to the historical average than last year's prices were. The accompanying chart shows the dry whey and other solids price since January 2007.

Dry Whey Market

The reason the dry whey market, and thus the other solids price, behaved this way the past two years lies in multiple supply and demand factors changing direction. Dry whey is considered an excellent source of protein. As the middle class in developing countries grow, they tend to eat higher protein diets. The combination of a weakening United States currency and supply constrictions in Oceania in 2007 resulted in the U.S. being positioned as an ideal source for dry whey (and its high protein qualities) in the global market. The increasing demand and constricted global supply pushed dry whey prices to record levels. That in turn generated higher other solids prices and boosted milk prices in general to U.S. farmers.

By the second half of 2008, the very supply and demand conditions that led to high prices combined in the opposite direction. The very high 2007 dry whey prices have moved buyers to look for substitute ingredients, reducing demand in 2008. In addition, worsening economies have hurt sales both domestically and globally and the U.S. dollar has regained some strength, making U.S. exports less attractive. Production in Oceania is expected to recover as their higher production season draws near. These conditions may lead to continued lower prices for dry whey for the near future.❖



Class IV Utilization Sets Record

The volume of pooled milk receipts utilized in making Class IV products for the month of October was 223.3 million pounds, the highest on record since the Order's inception. For the past 8 years, Class IV utilization in October has averaged 109 million pounds or about 5.7 percent of the total pool. During this period, Class IV usage ranged from a low of 74.7 million pounds (4.2 percent) in 2006 to a high of 172.7 million pounds (9.1 percent) in 2005. During October 2008, the record-setting volume equated to 11.6 percent of the pool.

Class IV usage includes mainly butter, nonfat dry milk, and condensed products. Nearly two-thirds of the total volume in October went into nonfat dry milk. Recently, changes in processing plant activity and other market conditions disadvantageous to making Class II and III products have contributed to the rise in Class IV utilization.

Since the Class IV price is currently considerably lower than both the Class II and III prices, additional volume utilized in this class contributes to a lower overall uniform price.❖

DDP Increases

For the first ten months of 2008, daily deliveries per producer (DDP) have averaged 4,842 pounds. This is up 317 pounds compared to the same period last year and is the largest gain recorded since the Order's inception. DDP has risen each year during the comparable period except for 2003 when it declined slightly.

For each comparable month of 2008, DDP has been higher than the same month of 2007 except for October. The top contributing states: New York, Pennsylvania, and Vermont have all averaged higher DDP during the 10-month period. New York has had the largest increase, averaging nearly 600 pounds higher in 2008 even with declines the past 3 months. Both Pennsylvania and Vermont have averaged about 200 pounds higher during this period than last year.

Overall, the number of producers continues to decline. October averaged 13,641 producers, down 186 from October 2007. This decline is the lowest in 7 years.

Some of this data may have been affected by depooling during May and June of 2008 and June 2007.❖

New AMS Administrator

James E. Link was recently appointed as Administrator of the Agricultural Marketing Service (AMS). One of the many programs overseen by the AMS is the Federal Milk Marketing Order program.

Link's new role will be to help market U.S. agricultural products in domestic and international markets. He replaces Lloyd Day, who held the position since August 2005.❖

Dairy Forward Pricing *(continued from page 1)*

for producer milk subject to the terms of the contract, provided that the volume of such milk does not exceed the handler's Class II, III, and IV utilization for the month on the order that regulated the milk.

Program Rules:

(a) Any handler defined in 7 CFR 1000.9 may enter into forward contracts with producers or cooperative associations of producers for the handler's eligible volume of milk. Milk under forward contract in compliance with the provisions of this part will be exempt from the minimum payment provisions that would apply to such milk pursuant to 7 CFR 1001.73, 1005.73, 1006.73, 1007.73, 1030.73, 1032.73, 1033.73, 1124.73, 1126.73 and 1131.73 for the period of time covered by the contract.

(b) No forward price contract may be entered into under the program after September 30, 2012, and no forward contract entered into under the program may extend beyond September 30, 2015.

(c) Forward contracts must be signed and dated by the contracting handler and producer (or cooperative association) prior to the 1st day of the 1st month for which they are to be effective and must be received by the federal milk market administrator by the 15th day of that month. The disclosure statement must be signed on the same date as the contract by each producer entering into a forward contract, and this signed disclosure statement must be attached to or otherwise included in each contract submitted to the market administrator.

(d) In the event that a handler's contract milk exceeds the handler's eligible milk for any month in which the specified contract price(s) are below the order's minimum prices, the handler must designate which producer milk shall not be contract milk. If the handler does not designate the suppliers of the over-contracted milk, the market administrator shall prorate the over-contracted milk to each producer and cooperative association having a forward contract with the handler.

(e) Payments for milk covered by a forward contract must be made on or before the dates applicable to payments for milk that are not under forward contract under the respective federal milk marketing order.

(f) Nothing in this part shall impede the contractual arrangements that exist between a cooperative association and its members.

In addition, a handler may not require participation in a forward pricing contract as a condition of the handler receiving milk from a producer or cooperative association of producers. USDA will investigate all complaints made by producers or cooperative associations alleging coercion by handlers to enter into forward contracts and based on the results of the investigation will take appropriate action.❖

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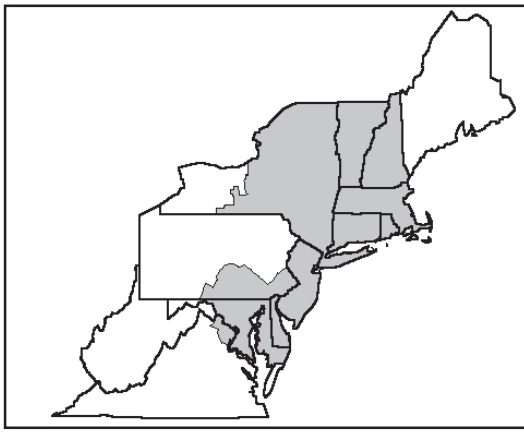
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	898,532,517	$13.01	116,899,080.46	
Butterfat	17,834,492	1.7776	31,702,592.98	
Less: Location Adjustment to Handlers			(2,954,868.05)	$145,646,805.43
Class II— Butterfat	29,462,854	1.8577	54,733,143.87	
Nonfat Solids	31,745,875	1.1622	36,895,055.93	91,628,199.80
Class III– Butterfat	17,178,437	1.8507	31,792,133.38	
Protein	13,015,769	3.5490	46,192,964.21	
Other Solids	23,605,701	(0.0047)	(110,946.76)	77,874,150.83
Class IV– Butterfat	8,780,202	1.8507	16,249,519.83	
Nonfat Solids	19,695,173	0.8226	16,201,249.34	32,450,769.17
Total Classified Value				**$347,599,925.23**
Add: Overage—All Classes				136,535.23
Inventory Reclassification—All Classes				157,222.44
Other Source Receipts	105,677 Pounds			1,720.29
Total Pool Value				**$347,895,403.19**
Less: Producer Component Valuations @ Class III Component Prices				(349,714,335.56)
Total PPD Value Before Adjustments				**($1,818,932.37)**
Add: Location Adjustment to Producers				9,243,075.71
One-half Unobligated Balance—Producer Settlement Fund				818,167.92
Less: Producer Settlement Fund—Reserve				(898,849.74)
Total Pool Milk & PPD Value	1,932,489,869 Producer pounds			**$7,343,461.52**
Producer Price Differential		**$0.38**		
Statistical Uniform Price		**$17.44**		

* 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 2008 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 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.09 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $18.17 per hundredweight. November's statistical uniform price was 35 cents per hundredweight below October's price. The November producer price differential (PPD) at Suffolk County was $1.58 per hundredweight, an increase of $1.20 per hundredweight from last month.

During November, all commodity prices dropped resulting in lower component prices. All class prices declined except Class I, which is announced on an advanced basis and was calculated using the higher prices for butter and cheese. From the first 2 weeks of October to the last week of November, National Agricultural Statistics Service (NASS) cheese prices dropped from $1.92 per pound to around $1.69 per pound; butter fell from $1.70 per pound to $1.54 per pound; nonfat dry milk prices dropped from over $1.00 per pound to 87 cents per pound. With whey prices falling further, the other solids price grew more negative.

Class I and II usage for November were the smallest volumes for that month since the Order's inception; the Class IV usage for the month was a record-setting high. The average producer component test for butterfat was the highest on record for November and the protein test tied with last year's.❖

Declining Demand and Exports Impact Milk Price

2008 will soon go in the books with the second highest annual average uniform price ever in the Northeast. Milk prices rise and fall in response to supply and demand, and increasingly, United States milk prices are impacted by global supply and demand forces. In recent years, exports have become an increasing portion of the demand equation.

From 2003 through 2007, milk production in the European Union-27 (EU-27), New Zealand and Australia, which account for more than 60 percent of worldwide dairy trade, declined by more than one percent, reducing available exportable supply. Dairy exports from the two

(continued on page 3)

Pool Summary

- A total of 13,625 producers were pooled under the Order with an average daily delivery per producer of 4,574 pounds.
- Pooled milk receipts totaled 1.869 billion pounds, no change from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.3 percent of total milk receipts, a decrease of 2.1 percentage points from October.
- The average butterfat test of producer receipts was 3.83 percent.
- The average true protein test of producer receipts was 3.15 percent.
- The average other solids test of producer receipts was 5.68 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.3	846,844,007
Class II	18.0	336,012,115
Class III	21.9	408,965,634
Class IV	14.8	277,959,987
Total Pooled Milk		1,869,781,743

Producer Component Prices

	2008	2007
	$/lb	
Protein Price	3.1301	4.3081
Butterfat Price	1.7730	1.4077
Other Solids Price	(0.0099)	0.2461

Class Price Factors

	2008	2007
	$/cwt	
Class I	20.58	24.70
Class II	14.45	22.07
Class III	15.51	19.22
Class IV	12.25	20.40

Regional Dairy Outlook Conference Held

The 2008 Northeast Regional Dairy Outlook Conference was held November 20 at the Northeast Marketing Area's Albany office. The annual conference brings together economists and statisticians from the Northeast's market administrator office, state and federal agricultural statistical services, university extension offices, cooperatives and agribusinesses to review regional production and price statistics for the past year and develop projections for the upcoming year. The Northeast region includes Delaware, Maryland, New England, (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), New Jersey, New York, and Pennsylvania.

Crop Situation

With the Northeast covering such a large territory, varied weather conditions are expected. In the New England states rainfall was up from 2007 and delayed some planting early in the season and harvesting during the summer. Final estimates have not been completed, but overall, forage quality and quantity appear to be sufficient. In New York, both the quantity and quality of hay and corn were up compared to 2007.

Production Estimates

With milk prices dropping significantly during 2008 and inputs such as fuel and feed rising, farmers concentrated on paying bills and put off expansions. Nationally, milk cow numbers are projected to finish up 1.2 percent in 2008, compared to 2007. For 2009, the total number of cows is estimated to drop a slight 0.2 percent. Regionally, cow numbers are expected to finish down about 0.2 percent in 2008 and decline an additional 0.4 percent in 2009. The combined New England states estimate a slight increase in 2008, while the other Northeast states predict declines.

US milk production per cow is estimated to finish 1.0 percent higher in 2008 and another 1.1 in 2009. The Northeast predicts an increase of 1.1 percent in 2008, but a decline of 0.1 in 2009. Pennsylvania and the combined New England states project no change in milk per cow for 2009.

As a result, milk production in the Northeast states is expected to finish 0.9 percent above 2007, but drop 0.4 percent in 2009. These numbers have been adjusted for leap year in 2008. Declines are forecasted for Pennsylvania, Delaware, and Maryland for 2008 and for New England, New York, Delaware, and Maryland in 2009. New York expects 2008 to finish up 2.4 percent higher than 2007, but drop 0.8 percent in 2009. U.S. milk production is projected to finish 2.0 percent higher in 2008 and grow another 1.2 percent in 2009.

Price Estimates

The group's consensus for the Northeast Order statistical uniform price is an annual average of $18.75 per hundredweight for 2008. This is $1.10 below the 2007 annual average blend price, but still the second highest ever. At last year's conference, attendees predicted that prices would drop, but only slightly. Milk production had been expected to decline and demand remain strong. Instead milk production rose in the Northeast and demand declined. For the upcoming year, the group forecasts prices to drop further, averaging $16.10 per hundredweight for 2009 (see accompanying table). Milk production is projected to grow, but at a lesser rate than in 2009. Domestically, the dairy demand is expected to remain sluggish due to its maturity and the weakness of the economy. Demand is expected to grow internationally over the long run as developing countries' diets improve, but is not expected to this year due to the poor global economy. With the drought situation ending in Australia and New Zealand, production should be increasing, making more dairy products available at cheaper prices.

Even though cheese prices in 2009 are projected to be below 2008 prices, the Class III price is predicted to be the mover throughout the upcoming year. Negative producer price differentials (PPDs) are a possibility and likely in the outer zones during 2009. Based on the commodity and futures prices forecasted, PPDs are expected to be below range from $0.25 to $2.50 per hundredweight.

Some participants predict that Milk Income Loss Payments (MILC) may be paid some time during 2009. With the change in the calculation that now uses a feed adjustor, payments are somewhat more likely to occur, but since prices for the feed inputs (corn, soybeans, and alfalfa) have been declining, there have been no payments since the revised program became effective October 1, 2008.❖

Northeast Milk Marketing Area
Statistical Uniform Prices, 2007–2009*

Month	2007 Actual	2008 Actual and **Estimated**	**2009 Estimated**
	dollars per hundredweight		
January	15.09	21.11	**15.60**
February	15.21	19.54	**15.34**
March	16.08	17.89	**15.22**
April	17.02	18.55	**15.28**
May	18.60	18.18	**15.36**
June	20.80	19.56	**15.67**
July	22.94	20.61	**16.02**
August	23.14	19.50	**16.47**
September	22.99	18.90	**16.85**
October	22.38	17.44	**17.08**
November	22.31	**17.57**	**17.19**
December	21.59	**16.16**	**17.14**
Average	19.85	**18.75**	**16.10**

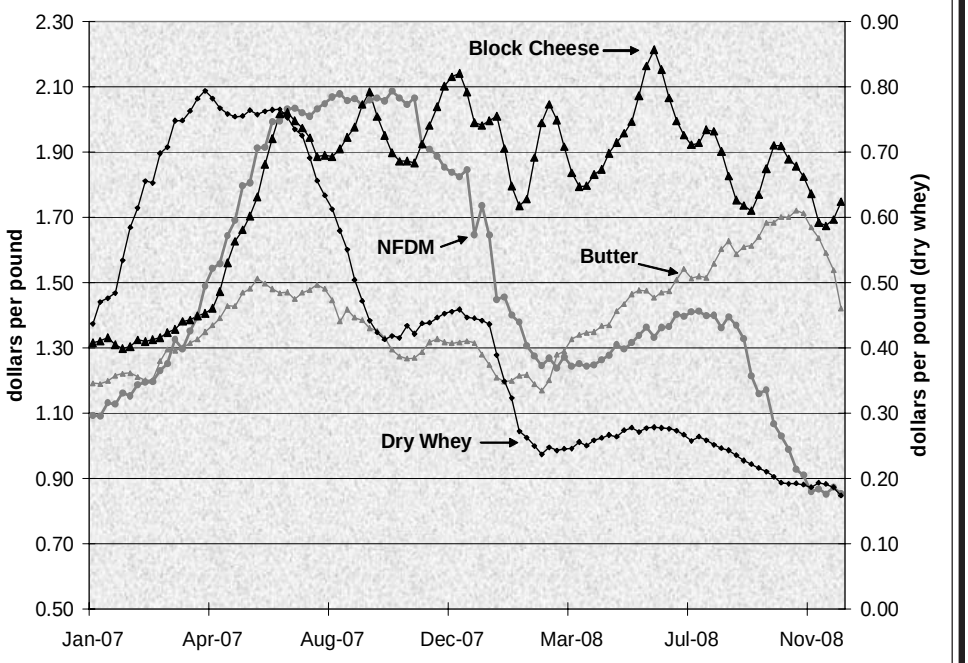
* Estimated prices for November and December 2008 and all of 2009. All estimates are subject to change. Prices are reported at Suffolk County, MA. The actual price for November is $17.09 per cwt, announced in this issue.

Declining Demand and Exports *(continued from page 1)*

regions, on a milk equivalent basis, dropped 5.3 percent during that time. Meanwhile, global demand was increasing, particularly in Asia and oil-producing nations. Countries such as Indonesia, Singapore, Saudi Arabia, Vietnam, and China were increasing imports of milk protein via milk powder and whey by 31 to 70 percent from 2002 through 2006.

Increased U.S. Role in Global Trade

In the U.S., milk production increased 2.2 percent annually from 2003 through 2007. At a time when traditional exporters were experiencing tightening milk supplies, the U.S. was alone in posting significant production growth. U.S. exports increased 83 percent on a total solids basis during the 2003-2007 period. According to the United States Dairy Export Council, U.S. share of global dairy exports increased from 7.5 percent to 13.1 percent during that time.



*As reported by National Agricultural Statistics Service.

The increased significance of the U.S. in the global dairy market played a large role in Northeast Order blend prices hitting a record high annual average in 2007, and reaching what will be a second highest average for the order in 2008. Not coincidentally, there had been no Commodity Credit Corporation (CCC) purchases of nonfat dry milk in over 2 years, no purchases of butter since June 2003, and no purchases of cheese since July 2003.

Recent Dynamics Changing

With a global economic recession, financial crisis, and recent increased production from the EU-27, Australia, and New Zealand, the U.S. may find itself no longer in the same position to export similar volumes of dairy products as it has recently—at least in the short run. The result of these dynamics is that more U.S. dairy product will have to find a home in a domestic market that also is in recession, which will put downward pressure on commodity and product prices. In the accompanying chart, declines in all four commodity prices can be seen in the most recent months. Some of this product already has found a home with the CCC in the form of over 93 million pounds of nonfat dry milk purchased since early October.

If U.S. milk production grows modestly in 2009 as predicted, softer international and domestic demand during 2009 may play a key role in further milk price declines to producers over the next year. However, the prospects for U.S. dairy exports over the medium to long term are still bright as income and population growth will lead to increased worldwide dairy consumption.❖

2009 Payment Dates to Producers

The calendar below shows the dates for partial payments to producers that are not members of cooperatives. As required by the Order, payment must be made so that a producer receives it no later than the date shown. The table dates vary due to weekends and national holidays.

The final payment date that non-member producers must be paid is dependent on the date that the statistical uniform price is announced. Each month, this date (that final payments to producers must be received by) is printed on the back of the Producer Price Announcement.❖

Required Producer Payments Under the Northeast Order

Month Milk Produced	Partial Payment Due	
	Day	Date
January	Monday	1/26/09
February	Wednesday	2/25/09
March	Wednesday	3/25/09
April	Monday	4/27/09
May	Tuesday	5/26/09
June	Thursday	6/25/09
July	Monday	7/27/09
August	Tuesday	8/25/09
September	Friday	9/25/09
October	Monday	10/26/09
November	Wednesday	11/25/09
December	Monday	12/28/09

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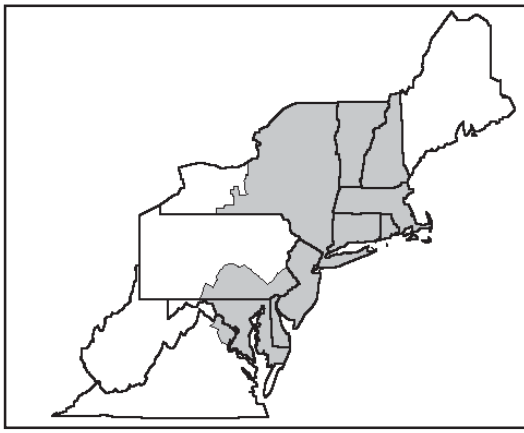
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	829,862,269	$14.54	120,661,973.91	
Butterfat	16,981,738	1.8713	31,777,926.32	
Less: Location Adjustment to Handlers			(2,746,560.10)	$149,693,340.12
Class II— Butterfat	27,890,152	1.7800	49,644,470.56	
Nonfat Solids	28,297,963	0.9467	26,789,681.59	76,434,152.15
Class III– Butterfat	16,855,402	1.7730	29,884,627.74	
Protein	12,851,363	3.1301	40,226,051.32	
Other Solids	23,138,575	(0.0099)	(229,071.87)	69,881,607.19
Class IV– Butterfat	9,865,449	1.7730	17,491,441.11	
Nonfat Solids	24,630,334	0.6953	17,125,471.23	34,616,912.34
Total Classified Value				**$330,626,011.80**
Add: Overage—All Classes				89,129.85
Inventory Reclassification—All Classes				(27,166.65)
Other Source Receipts	154,621 Pounds			7,214.57
Total Pool Value				**$330,695,189.57**
Less: Producer Component Valuations @ Class III Component Prices				(310,242,756.44)
Total PPD Value Before Adjustments				**$20,452,433.13**
Add: Location Adjustment to Producers				9,025,665.28
One-half Unobligated Balance—Producer Settlement Fund				856,093.19
Less: Producer Settlement Fund—Reserve				(789,197.11)
Total Pool Milk & PPD Value	1,869,936,364 Producer pounds			**$29,544,994.49**
Producer Price Differential		**$1.58**		
Statistical Uniform Price		**$17.09**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

December 2008 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

December Pool Price Calculation

The December 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $15.06 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $16.02 per hundredweight. December's statistical uniform price was $2.03 per hundredweight below November's price. The December producer price differential (PPD) at Suffolk County was -$0.22 per hundredweight, a decrease of $1.80 per hundredweight from last month.

During December, all commodity prices dropped except cheese, which rose slightly. As a result, all component prices declined except protein. All class prices declined, even Class III, because although the protein price had risen, the butterfat price, which is also a factor in the Class III price, declined considerably. The Class II price dropped over $3.00 and Class IV price dropped nearly $2.00 per hundredweight. As a result, the December Class II price was $4.07 less than the Class III price, and the Class IV price was $4.93 less than the Class III price. It was the Class II and IV prices being significantly below the Class III price, coupled with the sizeable volume of milk in the combined two classes (31.4 percent of the pool), that led to this month's negative PPD.

The total value of the federal order pool is determined by the respective class prices and the volume of milk utilized in each class. For the month of December, the "classified value" equaled $307,442,625.21. The total value of all producer components equaled $321,060,648.56 or $13.8 million more than the pool classified value (see page 4 for pool computation). Since the payout to producers must equal the value of the milk utilized in the pool, a negative PPD has to occur. Any class price higher than the Class III price contributes to the pool of money normally returned to producers in a positive PPD. With Class II and IV prices significantly below the Class III price, the classified value of the pool was diminished and producers received all of the pool value in their component payments.

The Class IV usage for December was a record-setting high for that month. The average producer component test for butterfat tied with last year's record-setting high.❖

Pool Summary

- A total of 13,603 producers were pooled under the Order with an average daily delivery per producer of 4,687 pounds.
- Pooled milk receipts totaled 1.977 billion pounds, an increase of 2.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 46.3 percent of total milk receipts, an increase of 1.0 percentage points from November.
- The average butterfat test of producer receipts was 3.84 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.69 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	46.3	914,673,273
Class II	16.0	316,388,353
Class III	22.3	441,334,219
Class IV	15.4	304,530,662
Total Pooled Milk		1,976,926,507

Producer Component Prices

	2008	2007
	$/lb	
Protein Price	3.6390	4.7061
Butterfat Price	1.2998	1.4348
Other Solids Price	(0.0269)	0.2637

Class Price Factors

	2008	2007
	$/cwt	
Class I	18.68	23.29
Class II	11.21	20.82
Class III	15.28	20.60
Class IV	10.35	19.18

MILC Payments Expected

The Milk Income Loss Contract (MILC) program, which was extended through August 2012 in the 2008 farm Bill, has not paid out any payments since February 2007 because of high milk prices. With falling milk prices expected due to declining commodity prices, a MILC payment appears likely by February 2009. However, any possible payment made in February will be based on a new calculation that includes a dairy feed ration adjustment.

The USDA Farm Service Agency (FSA) makes MILC payments on a monthly basis when the Boston Class I price falls below $16.94 per hundredweight (cwt) plus the dairy ration adjustment. The payment rate received by producers is determined by subtracting that month's Boston Class I price from the base $16.94 and ration adjustment, multiplied by 45 percent.

Feed Ration Adjustment

The feed adjustor sets a base feed cost of $7.35 per hundredweight, a starting point based on average corn, soybeans, and alfalfa hay prices in 2007. Each month, USDA will use this formula to produce a new weighted average based on the most current feed pricing. USDA will use the difference between the base feed cost and that month's feed cost to calculate a new, higher base (or trigger) price, above $16.94. If feed prices drop to very low levels, the base or trigger price will not drop below $16.94.

Timing of Price Data

The feed prices used in the feed ration adjustor are the "entire month" price as published in the USDA *Agricultural Prices* report that is released at the end of each month. For instance, December 2008 "entire month" feed prices will be released January 30, 2009. Therefore, the MILC payment rate for the month of December will not be available until the end of January. Contact your local FSA office to determine when payments will be made.

MILC Price Examples

The accompanying table presents some price projections using Chicago Mercantile Exchange (CME) and Chicago Board of Trade (CBOT) prices for January and February 2009 to show how the MILC payment with the feed adjustor works. The January MILC trigger price is raised $0.51 above $16.94 to $17.46 per cwt due to January feed prices. However, the January Class I price at Boston is still higher at $18.99 per cwt. No MILC payment is triggered. The February MILC trigger price is raised $0.51 to $17.45 per cwt, and is $1.89 above the estimated February Boston Class I price of $15.56 per cwt. The estimated MILC payment rate is $0.85 per cwt (45 percent of $1.89). Additionally, current price and feed estimates for the remainder of the year indicate MILC payments are likely from February through December.

The annual maximum eligible pound limit per dairy operation per fiscal year was increased to 2,985,000 pounds starting October 1, 2008. It is important to contact your local FSA office for details regarding eligibility, signup, and payments. Additional information about the MILC program is available at www.fsa.usda.gov.❖

Estimated MILC Program Prices

	January	February
Corn* (per bushel)	$3.79	$3.79
Soybeans* (per bushel)	$10.37	$10.36
Alfalfa Hay* (Per ton)	$147	$147
MILC Base	$16.94	$16.94
Feed Adjustor Value	$0.52	$0.51
New MILC Base	$17.46	$17.45
Class I Price** (Boston)	$18.99	$15.56
MILC Payment	$0.00	$0.85

* Chicago Board of Trade Prices January 9.
** Estimated January 13.

Dairy Product Price Support Program

Under the 2008 Farm Bill, the Milk Price Support Program has been renamed the Dairy Product Price Support Program. As the name change indicates, the price support program was changed to support the price of *dairy products* instead of the price of *milk*.

The government will continue to purchase cheddar cheese, butter and nonfat dry milk through USDA's Commodity Credit Corporation (CCC), but the purchase prices of these products will no longer be linked to a price of manufactured milk. Each product has an established trigger price for purchasing. The levels established for CCC purchases are set at $1.13 per pound for 40-pound cheddar blocks, $1.10 per pound for cheddar barrels, $1.05 per pound for butter, and $.80 per pound for nonfat dry milk. If net removals of these products exceed specified limits, the Secretary of Agriculture has the authority to reduce the purchase price by $0.05 to $0.20 per pound depending on the product and the level exceeded. The government will no longer buy processed cheese, 1-pound prints of butter or fortified or instant Nonfat Dry Milk.

No More Butter-Powder Tilt

Supporting levels by product eliminates the need to balance one product with another. The issue of a "butter-powder tilt" will no longer exist.

Recent Support Purchases

During the week ending October 10, 2008, the CCC began purchasing nonfat dry milk; the first purchases since July 2006. As of January 16, 2009, the CCC has purchased a total of 134.3 million pounds. During the week ending January 9, 2009, the CCC began purchasing butter under the support program. These were the first purchases since June 2003. As of January 16, 2009, butter purchases totaled 375,658 pounds. No cheese has been purchased under the program since July 2003, although Chicago Mercantile Exchange cheese prices have been trading below the support level in recent weeks.❖

2008 Northeast Order Statistics Summarized

During 2008, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 23.9 billion pounds, an increase of 3.4 percent from 2007. The blend price for 2008 averaged 6.2 percent less than 2007's, but was still the second highest under the Order. The accompanying table compares selected pool statistics for 2007 and 2008. All figures have been adjusted for leap year.

Class Utilization Changes

Total producer milk receipts increased significantly in 2008. Some of this growth was due to milk production increases, while part of the rise was due to pooling changes that resulted in some milk coming back on the Order. During 2008, milk production responded to the record-setting prices in 2007. Nationally, milk production has increased about 2.0 from last year. In the Northeast, the production has grown about 1.0 percent. Due to disadvantageous pricing during May and June, some milk was depooled during those months (approximately 300 million pounds). Even with the depooling, total pooled receipts on the Order increased 3.4 percent from 2007.

Class I utilization averaged 43.4 percent in 2008, a decrease of 2.1 percentage points from the previous year. The total volume of milk used in Class I decreased 1.3 percent. Class II usage decreased 1.7 percent, resulting in a decrease in utilization of 1.0 percentage point. Class III volume was down 5.9 percent with a drop in utilization of 2.2 percentage points. The amount of milk used in Class IV jumped 61.6 percent in 2008; utilization rose 5.3 percentage points. The increase in Class IV usage was the result of changes in processing plant activity (closures, temporary down time) and some other disadvantageous conditions in making Class II and III products.

Prices Lower

The increases in milk production that occurred during late 2007 and early 2008 depressed prices as the year progressed. For the year, all federal order class prices averaged less than during 2007, some with double-digit declines.

The Class I price averaged $21.25 per hundredweight in 2008, only 14 cents (0.7 percent) below the 2007 annual average. Class I prices were record-setting for the months of January through April. The Class II price averaged $2.12 less than the previous year, down 11.5 p ercent, while the Class III price declined 60 cents (3.3 percent) from 2007. The Class IV price was hit the hardest, averaging $3.71 per hundredweight (20.2 percent) less than the 2007 average. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged $18.62 per hundredweight, $1.23 (6.2 percent) less than the 2007 price. The producer price differential (PPD) averaged $1.18 per hundredweight, 34.8 percent less than the average in 2007 and the second lowest average PPD since the Order's inception.

Component Pricing

The price paid to producers for butterfat averaged $1.5668 per pound, 6.6 percent higher than in 2007. The per-pound annual average protein price was $3.8898, up 10.8 percent. The other solids price dropped 86.8 percent, with negative values the last 3 months of 2008. The nonfat solids declined 30.7 percent.

The annual average producer butterfat test increased from 3.70 percent in 2007 to 3.73 percent in 2008. During 6 of the months, butterfat tests set new records for the corresponding month. Both the producer protein and other solids tests averaged the same as in 2007, 3.06 and 5.71 percent, respectively. The protein test set new records 5 of the months, while the other solids test was record-setting 3 months during 2008.

Producer Changes

The year ended with 490 less producers than at the end of 2007. Annual average daily deliveries per producer (DDP) equaled 4,807 pounds, up 5.7 percent from 2007.❖

Northeast Order Pool Statistics, Annual Totals and Averages, 2007–2008

Pool Statistics	2007	2008	2007–08 Change
	million pounds		percent
Class I	10,495.80	10,384.80	(1.3)
Class II	4,725.00	4,655.20	(1.7)
Class III	5,638.90	5,323.10	(5.9)
Class IV	2,180.20	3,531.90	61.6
Total	23,039.90	23,895.00	3.4
	pounds		
DDP	4,547	4,807	5.7
	utilization percentage		change
Class I	45.5	43.4	(2.1)
Class II	20.5	19.5	(1.0)
Class III	24.5	22.3	(2.2)
Class IV	9.5	14.8	5.3
	dollars/cwt		percent
Class I	21.39	21.25	(0.7)
Class II	18.36	16.24	(11.5)
Class III	18.04	17.44	(3.3)
Class IV	18.36	14.65	(20.2)
SUP	19.85	18.62	(6.2)
Producer Component:			
Tests:	percent		change
Butterfat	3.70	3.73	0.03
Protein	3.06	3.06	0.00
Other Solids	5.71	5.71	0.00
Prices:	dollars/lb		percent
Butterfat	1.4693	1.5668	6.6
Protein	3.5121	3.8898	10.8
Other Solids	0.4201	0.0555	(86.8)
Nonfat Solids	1.5218	1.0552	(30.7)

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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	896,397,724	$12.74	114,201,070.04	
Butterfat	18,275,549	1.8250	33,352,876.93	
Less: Location Adjustment to Handlers			(2,951,430.19)	$144,602,516.90
Class II— Butterfat	26,317,384	1.3068	34,391,557.45	
Nonfat Solids	26,611,126	0.7644	20,341,544.74	54,733,102.19
Class III— Butterfat	18,070,505	1.2998	23,488,042.39	
Protein	13,823,287	3.6390	50,302,941.43	
Other Solids	24,989,853	(0.0269)	(672,227.04)	73,118,756.78
Class IV— Butterfat	13,184,257	1.2998	17,136,897.24	
Nonfat Solids	26,723,581	0.6680	17,851,352.10	34,988,249.34
Total Classified Value				**$307,442,625.21**
Add: Overage—All Classes				109,355.28
Inventory Reclassification—All Classes				(285,488.35)
Other Source Receipts	276,201 Pounds			4,499.66
Total Pool Value				**$307,270,991.80**
Less: Producer Component Valuations @ Class III Component Prices				(321,060,648.56)
Total PPD Value Before Adjustments				**($13,789,656.76)**
Add: Location Adjustment to Producers				9,522,698.11
One-half Unobligated Balance—Producer Settlement Fund				842,971.01
Less: Producer Settlement Fund—Reserve				(925,858.39)
Total Pool Milk & PPD Value	1,977,202,708 Producer pounds			**($4,349,846.03)**
Producer Price Differential		**($0.22)**		
Statistical Uniform Price		**$15.06**		

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