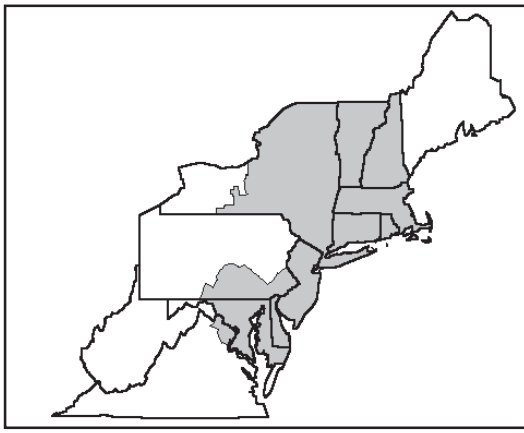


The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2009 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

January Pool Price Calculation

The January 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.14 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 $14.77 per hundredweight. January's statistical uniform price was $0.92 per hundredweight below December's price. The January producer price differential (PPD) at Suffolk County was $3.36 per hundredweight, an increase of $3.56 per hundredweight from last month.

During January, all commodity prices dropped, especially cheese, which declined 26 percent from the previous month. As a result, all component prices declined considerably. All class prices declined except Class I because of the advanced announcement of that price, which is calculated using sales data from the previous month before the large declines occurred. The Class III price dropped $4.50, and although it was still higher than the Class II price, all class prices were more typically aligned resulting in a large positive PPD ($3.36).

The average producer component tests for butterfat and protein were the highest for the month of January since the Order's inception.❖

Proposed Amendments to Producer-Handler & Exempt Plant Provisions

The United States Department of Agriculture (USDA) has released an invitation to submit proposals for consideration at a public hearing to discuss elimination of the producer-handler provision and revision of the exempt plant provision in all federal orders. Under current order provisions a producer-handler is a person who operates a dairy farm and a fluid milk processing plant from which there is monthly route disposition in the marketing area. An exempt plant is a small fluid milk processing plant with route sales of less than 150,000 pounds per month. Both such operations do not share the revenue from their Class I sales with the marketwide pool as do fully regulated pool distributing (Class I processing) plants. As of December 2008, there were 14 producer-handlers and 40 exempt plants reporting sales under the Northeast Order.

(continued on page 3)

Pool Summary

- A total of 13,595 producers were pooled under the Order with an average daily delivery per producer of 4,781 pounds.
- Pooled milk receipts totaled 2.018 billion pounds, an increase of 2.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.2 percent of total milk receipts, a decrease of 2.1 percentage points from December.
- The average butterfat test of producer receipts was 3.83 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.2	890,941,263
Class II	18.0	362,601,317
Class III	22.2	448,918,296
Class IV	15.6	315,717,295
Total Pooled Milk		2,018,178,171

Producer Component Prices

	2009	2008
	$/lb	
Protein Price	2.3638	4.4994
Butterfat Price	1.1084	1.3319
Other Solids Price	(0.0304)	0.2097

Class Price Factors

	2009	2008
	$/cwt	
Class I	18.99	24.22
Class II	10.41	19.75
Class III	10.78	19.32
Class IV	9.59	16.29

Uniform Price and MILC Estimate

Current Chicago Mercantile Exchange futures markets data indicate that February through April uniform price at 3.5 percent butterfat could be the lowest in 5 and a half years, but are expected to rise above $15.00 per hundredweight (cwt) by September. Producers are expected to receive Milk Income Loss Contract (MILC) payments in the $1.55 to $1.87 per cwt range during this period. Current milk price and feed price projections suggest that a MILC payment can be expected through November. The highest MILC payment to date was $1.8225 in April 2003.

Although the Uniform Price at 3.5 percent butterfat is expected to fall below $12.00 per cwt in February and March, the Uniform Price based on predicted average component tests is estimated to be about $12.30 per cwt. When the expected MILC payment is added, the result is a pay price of roughly $14.00 for these months.

The MILC program is administered by the United States Department of Agriculture's Farm Service Agency. Though the MILC program uses the Federal Order Class I price at Boston, Massachusetts, in determining a month's MILC trigger price, the Federal Order does not administer or fund this program, nor is it funded by processors. MILC is a taxpayer funded program authorized by Congress in the 2008 Farm Bill. Detailed questions regarding the MILC program, including payments, timing of payments, and signup, should be directed to the local or state USDA, Farm Service Agency office.❖

Estimated Prices and MILC Payments, 2009

CBOT Futures-based Estimate (*February 11 data*)	February	March	April
Corn (per bushel)	$3.81	$3.68	$3.73
Soybean (per bushel)	$9.99	$9.78	$9.80
Alfalfa hay (per ton)	$146	$144	$145
Feed-adjusted MILC Trigger Price ($/cwt)	$17.41	$17.20	$17.27
CME Futures-based Estimates (*February 11 data*)			
Class I ($/cwt)	**$13.97**	$13.05	$13.60
Uniform Price *@ 3.5% Butterfat* ($/cwt)	$11.80	$11.82	$12.27
Uniform Price *@ Predicted Average Pool Component Tests* ($/cwt)	$12.30	$12.33	$12.65
PPD ($/cwt)	$2.48	$1.47	$1.65
Total MILC Payment ($/cwt)	$1.55	$1.87	$1.65
Estimated Uniform Price *@ Average Pool Tests + MILC* ($/cwt)	$13.85	$14.20	$14.30

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

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

Federal Order Number	Federal Order Name	Total Producer Milk 2007 (pounds)	Total Producer Milk 2008** (pounds)	Change~ (percent)	Producer Price Differential# 2007 ($/cwt)	Producer Price Differential# 2008 ($/cwt)	Statistical Uniform Price#* 2007 ($/cwt)	Statistical Uniform Price#* 2008 ($/cwt)
1	**Northeast**	**23,039,863,949**	**23,895,032,867**	**3.4**	**1.81**	**1.18**	**19.85**	**18.62**
5	Appalachian	5,865,023,397	5,882,231,758	0.0	N/A	N/A	20.49	19.90
6	Florida	3,206,499,471	3,130,160,081	(2.6)	N/A	N/A	21.52	21.87
7	Southeast	7,520,626,938	6,922,833,240	(8.2)	N/A	N/A	20.40	20.17
30	Upper Midwest	26,489,881,523	28,040,611,738	5.6	0.30	0.19	18.34	17.63
32	Central	11,192,644,576	11,564,480,710	3.0	0.60	(0.07)	18.64	17.37
33	Mideast	16,267,739,204	15,707,154,391	(3.7)	0.79	0.43	19.06	17.86
124	Pacific Northwest	7,036,007,813	6,881,681,377	(2.5)	0.63	(0.57)	18.67	16.87
126	Southwest	9,990,320,756	9,687,446,649	(3.3)	1.43	0.83	19.47	18.26
131	Arizona	3,798,868,820	4,155,785,979	9.1	N/A	N/A	19.05	17.46
All Market Total/Average		114,407,476,447	115,867,418,790	1.0	0.93	0.33	19.55	18.60

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

**A significant amount of milk was depooled during March, May, June, October, and December 2008.

Class I Sales Decline in 2008

Sales of fluid milk products in the Northeast milk Marketing Area totaled nearly 9.2 billion pounds in 2008, down 1.3 percent from 2007 and the largest drop since 2003 when sales dropped the same percentage.

Price Effect on Sales

Prices for Class I milk products were their highest during 2007 and 2008. During 2007, sales in the Northeast declined only 0.3 percent, even though the average price for the year was the highest on record since the Order's inception. That year, prices jumped about mid-year. During 2008 prices remained relatively high throughout the entire year and received considerable media attention. These high prices, along with the general economic decline during 2008, appear to have affected total sales for the year. When U.S. sales data are available, we will show a comparison to see if there was a similar trend nationally in response to the higher prices.

Sales of Fluid Milk Products in the Northeast Milk Marketing Area, 2008, with Comparisons

Product	Sales mil. lbs.	2007–08 % change	Percent of: Ord 1 sales	Per capita Sales pounds
Whole Milk	3,006.1	(5.6)	32.7	57.0
Flavored Whole Milk	30.7	(21.4)	0.3	0.6
Organic Whole Milk	76.8	23.0	0.8	1.5
Reduced Fat Milk (2%)	2,060.2	0.0	22.4	39.0
Low Fat Milk (1%)	1,696.7	1.7	18.5	32.2
Fat-Free Milk (Skim)	1,490.4	(0.3)	16.2	28.2
Flavored Fat-Reduced Milk	534.7	(1.6)	5.8	10.1
Organic Fat-Reduced Milk	210.1	18.1	2.3	4.0
Buttermilk	39.3	(1.3)	0.4	0.7
Miscellaneous (inc. Eggnog)	41.3	8.1	0.4	0.8
Total	9,186.2	(1.3)	100.0	174.1

Northeast Sales by Product

The accompanying table shows Northeast sales by product for 2008, on a percentage basis, change from previous year, and sales on a per capital basis. Totals have been adjusted for leap year.

Sales of organic products had the largest growth of all products in the Northeast with organic whole jumping 23.0 percent and organic fat-reduced growing 18.1 percent. As a proportion of total sales in the Northeast, organic products accounted for 3.1 percent of all sales, up from 2.6 percent in 2007.

Flavored whole milk had the largest decline in the Northeast, dropping 21.4 percent, while flavored fat-reduced (flavored milk with low butterfat content) decreased 1.6 percent. Plain whole milk dropped 5.6 percent in the Northeast and fat-free (skim) declined 0.3 percent. Low fat (1%) sales grew 1.7 percent and reduced fat (2%) milk had no change.

Per Capita Sales

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 2008 in the marketing area was 52.8 million people, as reported by the Bureau of Census; this is down slightly from the revised population figure of 53.0 million people for 2007.

On a per capita basis in the Northeast Marketing Area, the average person consumed 174.1 fluid pounds (about 20 gallons) in 2008, slightly down from 175 pounds in 2007. Despite a decline in sales, whole milk remains the most popular product in the Northeast with 57 pounds; the lower fat products: reduced fat, low fat, and fat-free had 39, 32.2, 28.2 pounds each, respectively. Organic products accounted for 5.5 pounds per capita in the Northeast in 2008, up from 4.5 pounds in 2007.❖

Proposed Admendments *(continued from page 1)*

The proposals submitted on January 30, 2009, by National Milk Producers Federation and International Dairy Foods Association would eliminate the provision exempting producer-handlers from pricing and pooling provisions of an order; and would revise the current limit on monthly route disposition of packaged fluid milk required for exemption from pricing and pooling provisions as an exempt plant. Copies of these proposals may be obtained from the dairy Programs website at www.ams.usda.gov/dairy.

The proposals have not yet been approved for inclusion in a Notice of hearing. Before deciding whether a hearing will be held, USDA is providing the opportunity for interested parties to submit additional proposals regarding the elimination of the producer-handler provision and the revision of the exempt plant provision in all federal milk market orders.

Proposals must be received by March 9, 2009. Each proposal should be accompanied by a comprehensive statement on the need for the proposal.

USDA is considering initiation of a formal rulemaking proceeding that will include a public hearing some time in April 2009 to collect evidence regarding the proposed changes. A Notice of Hearing detailing the date, time, and location of the hearing and the proposals under consideration, will be published in the *Federal Register*. The Notice of hearing will also detail the deadline for all data requests of Dairy Programs.❖

USDA
MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

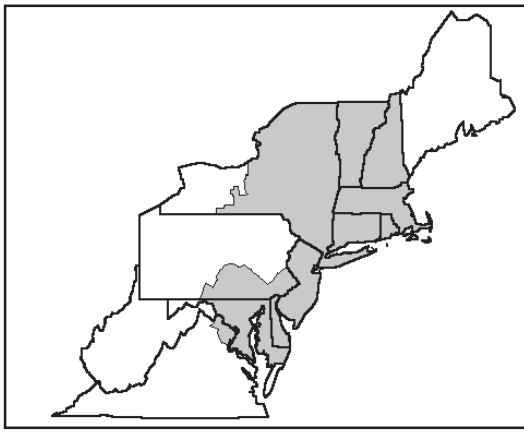
PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	874,387,562	$14.49	126,698,757.73	
Butterfat	16,553,701	1.4308	23,685,035.39	
Less: Location Adjustment to Handlers			(2,819,931.46)	$147,563,861.70
Class II— Butterfat	27,168,011	1.1154	30,303,199.47	
Nonfat Solids	30,697,292	0.7489	22,989,202.00	53,292,401.47
Class III— Butterfat	17,413,824	1.1084	19,301,482.53	
Protein	13,953,274	2.3638	32,982,749.10	
Other Solids	25,553,340	(0.0304)	(776,821.52)	51,507,410.11
Class IV— Butterfat	16,063,209	1.1084	17,804,460.89	
Nonfat Solids	27,448,343	0.6574	18,044,540.71	35,849,001.60
Total Classified Value				**$288,212,674.88**
Add: Overage—All Classes				28,067.37
Inventory Reclassification—All Classes				6,275.15
Other Source Receipts	265,323 Pounds			19,145.74
Total Pool Value				**$288,266,163.14**
Less: Producer Component Valuations @ Class III Component Prices				(230,186,238.83)
Total PPD Value Before Adjustments				**$58,079,924.31**
Add: Location Adjustment to Producers				9,700,919.87
One-half Unobligated Balance—Producer Settlement Fund				851,904.31
Less: Producer Settlement Fund—Reserve				(813,047.00)
Total Pool Milk & PPD Value	2,018,443,494 Producer pounds			**$67,819,701.49**
Producer Price Differential		**$3.36**		
Statistical Uniform Price		**$14.14**		

* 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 2009 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

February Pool Price Calculation

The February 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $11.75 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 $12.24 per hundredweight. February's statistical uniform price was $2.39 per hundredweight below January's price. The February producer price differential (PPD) at Suffolk County was $2.44 per hundredweight, a decrease of $0.92 per hundredweight from last month.

During February, all commodity prices dropped from the previous month and, correspondingly, all component prices declined. All class prices decreased, especially the Class I price, which dropped over $5.00 per hundredweight. The Class III price was the third lowest since the Order's inception and the first time since June 2003 that the Class III price was less than $10.00 per hundredweight. Both the Class II and Class IV prices were the lowest ever since order reform. Even though prices were so low, the spread between the Class I price and the other classes was significant enough to generate a relatively high PPD.❖

Producer-Handler Proposal Update

Last month we reported that USDA released an invitation to submit proposals for consideration at a public hearing to discuss elimination of the producer-handler provision and revision of the exempt plant provision in all federal orders. Proposals originally were due March 9, 2009. On March 6, USDA issued a notice extending the deadline to March 16, 2009. Additional proposals were received and on March 13, USDA announced that a pre-hearing public information session would be held on March 20, 2009, in Washington, DC, to ensure that all proposals received were fully understood and to clarify the intent and effect of the proposed amendments.

The steps being taken are part of the 2008 Farm Bill's revisions regarding the federal marketing order amendment procedures. We will report in our next *Bulletin* should USDA decide if and when a hearing will be held. Additional information about this proposal can be accessed from USDA's website at http://www.ams.usda.gov/dairy.❖

Pool Summary

- A total of 13,520 producers were pooled under the Order with an average daily delivery per producer of 4,868 pounds.
- Pooled milk receipts totaled 1.843 billion pounds, an increase of 1.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.0 percent of total milk receipts, a decrease of 1.2 percentage points from January.
- The average butterfat test of producer receipts was 3.80 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.0	792,268,193
Class II	19.2	353,403,268
Class III	24.4	449,164,041
Class IV	13.4	248,175,150
Total Pooled Milk		1,843,010,652

Producer Component Prices

	2009	2008
	$/lb	
Protein Price	1.9139	4.0180
Butterfat Price	1.0941	1.3010
Other Solids Price	(0.0437)	0.0803

Class Price Factors

	2009	2008
	$/cwt	
Class I	13.97	22.93
Class II	10.25	18.46
Class III	9.31	17.03
Class IV	9.45	14.67

U.S. Milk Production Up in 2008

Total milk production in the United States grew 2.1 percent in 2008, the same percentage as in 2007. The top ten milk-producing states showed an increase of 2.6 percent, while the top 23 states as reported by the National Agricultural Statistics Service (NASS) grew 2.4 percent. All comparisons have been adjusted for leap year.

Top Producing States

The top ten list contained the same states as in 2007, but some of their rankings changed (see accompanying table). Texas and New Mexico, which had the largest increases of the top ten states (13.7 and 7.6 percent, respectively), both moved up one place in the rankings. Michigan dropped to ninth place as a result. Idaho, which moved into fourth place in 2006 and is closing in on New York, reported an increase of 6.3 percent. The only top ten state to show a decline for 2008 was Pennsylvania.

Of the top 23 states as reported by NASS, 7 showed declines in production during 2008. NASS includes Kentucky and Missouri in their top 23, but South Dakota and Utah both have higher production. Utah has been higher than Kentucky for the past 6 years; South Dakota has been higher the past 4 years; and Missouri was just surpassed by both Utah and South Dakota in 2008. Other top 23 changes include Arizona bumping Iowa to number 13 and Kansas bumping Oregon to number 18.

Northeast Below National Average

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling into the marketing area) increased 0.5 percent, well below the national average of 2.1 percent. The Northeast top 3 producing states (New York, Pennsylvania, and Vermont) had a combined increase of 0.8 percent.

Top Ten States Ranked by Milk Production, 2008

Rank	State	2007	2008	Percent Change
		million pounds		
1	California	40,683	41,203	1.0
2	Wisconsin	24,080	24,472	1.4
3	New York	12,103	12,432	2.4
4	Idaho	11,549	12,315	6.3
5	Pennsylvania	10,682	10,575	(1.3)
6	Minnesota	8,656	8,782	1.2
7	Texas	7,384	8,416	13.7
8	New Mexico	7,290	7,865	7.6
9	Michigan	7,625	7,763	1.5
10	Washington	5,531	5,696	2.7
	Top Ten Total	135,583	139,519	2.6
	U.S.Total	185,654	189,992	2.1

Source: NASS, *Milk Production*.

Cow Numbers and Production per Cow

Nationally, the number of milk cows increased 1.4 percent in 2008. In the Northeast, milk cow numbers declined 0.4 percent. Average milk production per cow grew 1.0 percent nationally; for the Northeast, the increase was 1.2 percent.❖

Market Services 2008 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.

Calibration Program

One aspect of the Market Administrator's market service program is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing calibration services, the two trucks combined covered over 34,413 miles. The market service department checked 481 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2008 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.

2008 Tank Calibration Work by Tank Size

Tank Size (Gallons)	Checks	Calibrations/ Recalibrations
0-500	27	11
501-1000	237	52
1001-1500	96	19
1501-2000	58	16
2001-3000	47	10
3001-6000	12	3
6000+	4	4
Total	**481**	**115**

Checks/Calibration Results

Of the 481 tanks checked, 53 were out of tolerance and were recalibrated. Of those, 72 percent were 1,500 gallon tanks or smaller. Of the tanks requiring recalibration, there was an almost even split between tanks that were over measuring and under measuring the amount of milk. An additional 62 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 481 checks and the 62 additional calibrations total at least 543 farm visits. A total of 115 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.❖

DDP Shows Substantial Growth

Average daily deliveries per producer (DDP) have increased substantially from 2000 to 2008. The Northeast Order was formed by the merging of the former Middle Atlantic, New England, and New York–New Jersey Federal Milk Marketing Orders in 2000. During the first year of operation, DDP averaged 3,788 pounds. The accompanying chart shows monthly averages for New York, Pennsylvania, Vermont (the Order's 3 largest milk producing states), and the entire order for 2000 versus 2008. Together the three states shown accounted for nearly 88 percent of the milk pooled on the Order during 2008, up from 85.4 percent in 2000.

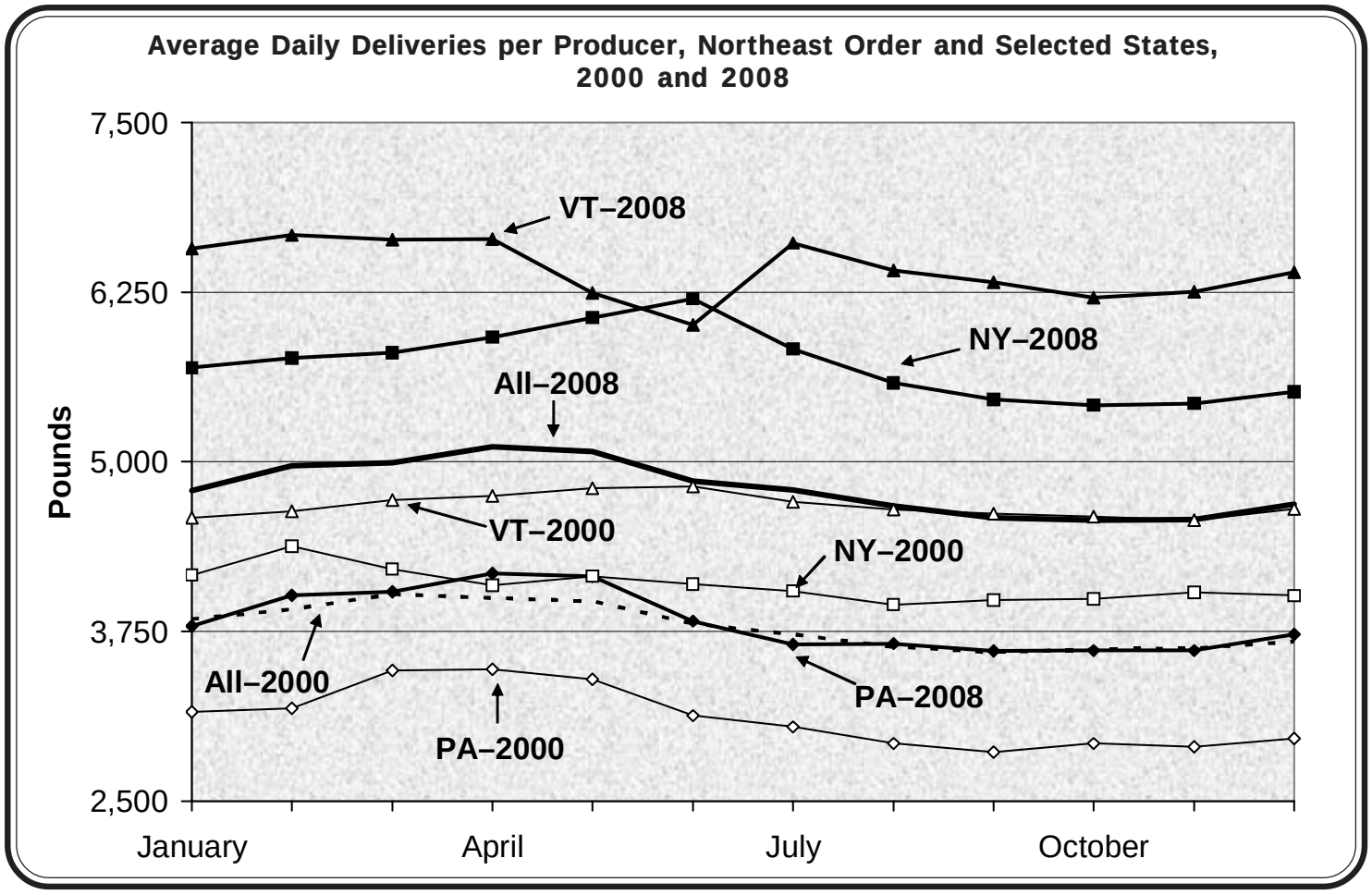
As the chart depicts, DDP in New York averaged 5,723 pounds in 2008, a 39.8 percent annual average jump from 2000. Vermont had the highest DDP of the 3 states shown (6,416 pounds) and reported a sizable increase of 37.2 percent during the period. Although Pennsylvania showed less of an increase, it was significant at 22.6 percent with an average 3,824 pounds for 2008. Overall, the Order averaged 4,807 pounds in 2008, an increase of 26.9 percent (1,020 pounds) from 2000.

Trend lines for Pennsylvania and the Order as a whole seem to follow the same seasonal pattern in both years with an obvious shift upward from 2000 to 2008. Both New York and Vermont show upward shifts when comparing 2008 to 2000, signifying a trend toward larger operations. During May and June 2008, New York had some variation and Vermont had some sharp declines. Both New York and Vermont had a substantial number of producers depooled during those months, which has impacted the DDP averages. DDP is mainly a reflection of operation size but can be affected by such factors as weather, feed quality, use of rBST and other management practices.

The Order average includes data from all states that have producers pooled on the Order at any time during the 2 years shown: Arkansas, Connecticut, Delaware, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nevada, New Hampshire, New Jersey, Ohio, Oklahoma, Rhode Island, Utah, Virginia, West Virginia, and Wisconsin.❖

MILC Payment Expected for February

Based on the announced Class I price for February of $13.97 per hundredweight at Boston, MA, it is expected that there will be a Milk Income Loss Contract (MILC) payment of approximately $1.62 per hundredweight. The exact figure will not be calculated until the NASS Agricultural Prices is released on March 30. For more information, contact your local Farm Service Agency (FSA) office.❖



USDA
MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

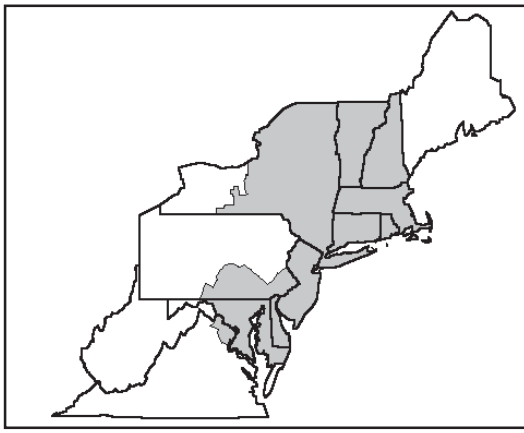
PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	777,379,434	$10.32	80,225,557.59	
Butterfat	14,888,759	1.1465	17,069,962.19	
Less: Location Adjustment to Handlers			(2,509,576.71)	$94,785,943.04
Class II— Butterfat	25,665,157	1.1011	28,259,904.34	
Nonfat Solids	29,917,936	0.7367	22,040,543.46	50,300,447.80
Class III— Butterfat	18,411,871	1.0941	20,144,428.09	
Protein	13,828,963	1.9139	26,467,252.28	
Other Solids	25,555,457	(0.0437)	(1,116,773.44)	45,494,906.93
Class IV— Butterfat	11,039,825	1.0941	12,078,672.56	
Nonfat Solids	21,647,259	0.6472	14,010,105.98	26,088,778.54
Total Classified Value				**$216,670,076.31**
Add: Overage—All Classes				50,731.52
Inventory Reclassification—All Classes				11,911.93
Other Source Receipts	239,276 Pounds			10,609.53
Total Pool Value				**$216,743,329.29**
Less: Producer Component Valuations @ Class III Component Prices				(180,696,590.40)
Total PPD Value Before Adjustments				**$36,046,738.89**
Add: Location Adjustment to Producers				8,942,876.86
One-half Unobligated Balance—Producer Settlement Fund				824,932.73
Less: Producer Settlement Fund—Reserve				(839,250.31)
Total Pool Milk & PPD Value	1,843,249,928 Producer pounds			**$44,975,298.17**
Producer Price Differential		**$2.44**		
Statistical Uniform Price		**$11.75**		

* 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 2009 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

March Pool Price Calculation

The March 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $11.56 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 $12.01 per hundredweight. March's statistical uniform price was 19 cents per hundredweight below February's price. The March producer price differential (PPD) at Suffolk County was $1.12 per hundredweight, a decrease of $1.32 per hundredweight from last month.

During March, all commodity prices increased slightly from the previous month except nonfat dry milk. The corresponding component prices increased while the nonfat solids price declined slightly; the other solids price remained negative, but to a lesser degree. All class prices increased except the Class I price, announced in advance, which dropped $1.29 per hundredweight. The Class III price was back above $10.00 per hundredweight. With the lower Class I price, the spread between the classes was tightened generating a lower PPD.❖

Producer-Handler Hearing Announced

USDA announced that a public hearing will be held to consider and take evidence on proposals seeking to amend or remove the producer-handler provisions and revise the exempt plant provisions applicable to all federal milk marketing orders. Additionally, a proposal seeking to amend the orders to include provisions related to individual handler pools will be considered as an alternative to the producer-handler provisions.

The hearing will begin at 1:00 p.m. on Mary 4, 2009. It will be held at The Westin-Cincinnati, 21 East Fifth Street, Cincinnati, OH. The hearing is open to the public. To participate and testify at the hearing, a person must be physically present and be available for cross-examination by other parties. Interested parties who wish to introduce exhibits should provide the Administrative Law Judge at the hearing with four copies of such exhibits for the official record. Additional copies should be made available for use by other hearing participants. Proponents that submitted a proposal included in the Notice of Hearing are required to

(continued on page 3)

Pool Summary

- A total of 13,490 producers were pooled under the Order with an average daily delivery per producer of 4,931 pounds.
- Pooled milk receipts totaled 2.062 billion pounds, an increase of 1.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.1 percent of total milk receipts, an increase of 0.1 percentage points from February.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.71 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.1	888,944,187
Class II	19.7	406,770,833
Class III	22.6	466,420,417
Class IV	14.6	300,041,054
Total Pooled Milk		2,062,176,491

Producer Component Prices

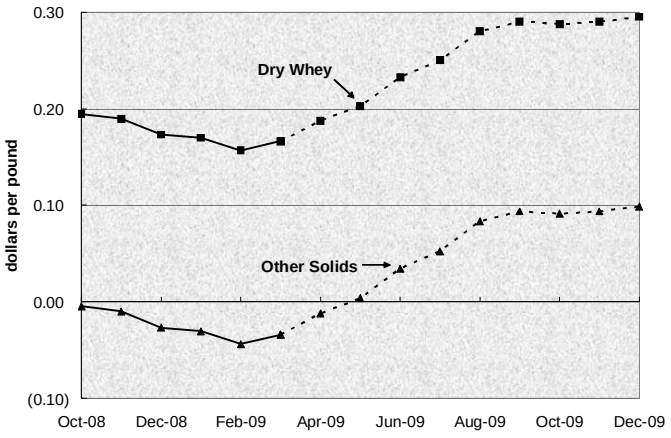
	2009	2008
	$/lb	
Protein Price	2.1973	4.3331
Butterfat Price	1.1594	1.3640
Other Solids Price	(0.0339)	0.0493

Class Price Factors

	2009	2008
	$/cwt	
Class I	12.68	19.95
Class II	10.36	15.63
Class III	10.44	18.00
Class IV	9.64	14.17

Other Solids Positive Soon

The other solids component price is projected to return to a positive value as of May, based on April 14 Chicago Mercantile futures prices for dry whey. The negative price occurs because the market price for dry whey is less than the make allowance in the other solids price formula. The dry whey price in May is predicted to be $.2025 per pound. That price is above the $0.1991 per pound make allowance that is built in to the other solids price formula. A dry whey price of $0.25 per pound would result in an other solids price of about $0.05 per pound and, with other current prices and utilization, would add an additional $284 in the milk check of a farmer producing 100,000 pounds a month.



At its peak, the other solids price reached $0.6008 per pound in April 2007. The dry whey price is predicted to average $0.2821 per pound for the second half of 2009. According to USDA's *Dairy Market News*, demand is fair to good with buyers often not finding the entire product volumes they desire. Some of the demand is speculative based on recent price increases. The cheese market has recently pulled back to just above support level. It remains to be seen if signs of life in the dry whey market will be sustained.❖

Market Service Tank Calibrations

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

Tentative Calibration Truck Schedule, 2009

Month	Area
April	Western NY/Eastern NY/Central NY
May	Western NY/Northern NJ/MA/CT
June	Central NY/Central PA
July	Northern PA/Central PA
August	Southern PA/Western NY
September	Southern PA/Maine
October	Eastern NY/Central NY
November	Eastern NY/Southern PA

Producer-Handler *(continued from page 1)*

make their testimony and any other exhibits available to USDA officials prior to the start of the hearing on the day of their appearance. Individual dairy farmers are not subject to this requirement.

Requests to USDA, including Market Administrator personnel, for data to be used or presented at the hearing must be received by April 24, 2009. Additional information about this notice is available from USDA/AMS/Dairy Programs, STOP 0231-Rm. 2971, 1400 Independence Avenue, SW, Washington, D.C. 20250-0231 or from USDA's website at http://www.ams.usda.gov/dairy.❖

Pool Summary for All Federal Orders, January–March 2009

Federal Order Number	Federal Order Name	Total Producer Milk 2008	Total Producer Milk 2009	Change~	Producer Price Differential# 2008	Producer Price Differential# 2009	Statistical Uniform Price#* 2008	Statistical Uniform Price#* 2009
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**6,161,580,579**	**5,923,365,314**	**(2.8)**	**1.40**	**2.31**	**19.51**	**12.48**
5	Appalachian	1,483,657,020	1,509,630,175	2.9	N/A	N/A	20.85	13.89
6	Florida	831,866,266	832,269,218	1.2	N/A	N/A	22.11	16.04
7	Southeast	1,862,628,150	1,830,594,101	(0.6)	N/A	N/A	20.72	14.10
30	Upper Midwest	7,051,626,053	7,913,426,885	13.5	0.24	0.49	18.36	10.66
32	Central	3,033,233,632	3,180,630,453	6.0	0.60	0.93	18.22	11.10
33	Mideast	4,133,194,371	4,077,016,703	(0.3)	0.79	1.42	18.70	11.59
124	Pacific Northwest	1,698,038,413	1,934,280,880	15.2	0.63	0.79	17.60	10.97
126	Southwest	2,264,512,520	2,767,321,798	23.6	1.43	1.91	19.10	12.09
131	Arizona	1,058,976,953	1,099,324,457	5.0	N/A	N/A	18.19	11.27
	All Market Total/Average	29,579,313,957	31,067,859,984	6.2	0.47	1.31	19.34	12.42

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

Component Prices and Tests

Under component pricing, producers are paid on the level of butterfat, protein, and other solids in their milk. The price received for these components and the percentage of these components in the milk largely determine how much a producer will receive for their milk. Although producers cannot directly affect the prices paid for components, their dairying practices may affect the level of components in the milk their herd produces.

The accompanying charts compare the monthly component price and the average component test since January 2002 to highlight the relationship between the two. A linear trendline is included on each chart for both component test and price that represents the long term trend.

Protein

A look at the protein chart shows the trendlines for test and price rising over time. The trendline of protein prices increases faster than the trend for tests because the dramatic rise in prices beginning in 2007 coincided with an increase in protein tests, but not to a proportionate level. Average protein tests have risen consistently since at least 2002. The trendlines would indicate a pretty consistent increase in demand for protein during the period. The protein price has averaged $1.19 per pound higher than the butterfat price since January 2002. It could be argued that in the long run, producers have responded to the increasing importance of protein as a portion of their milk check.

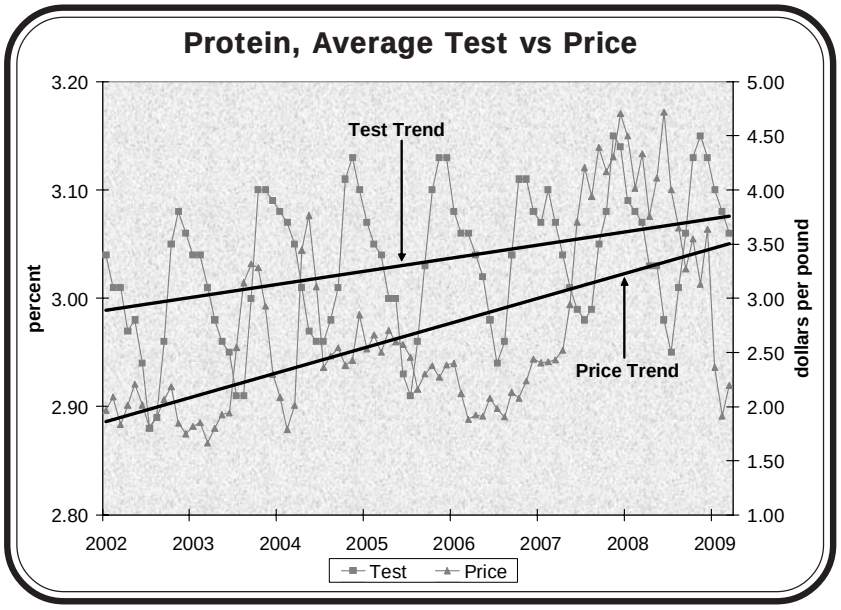
Butterfat

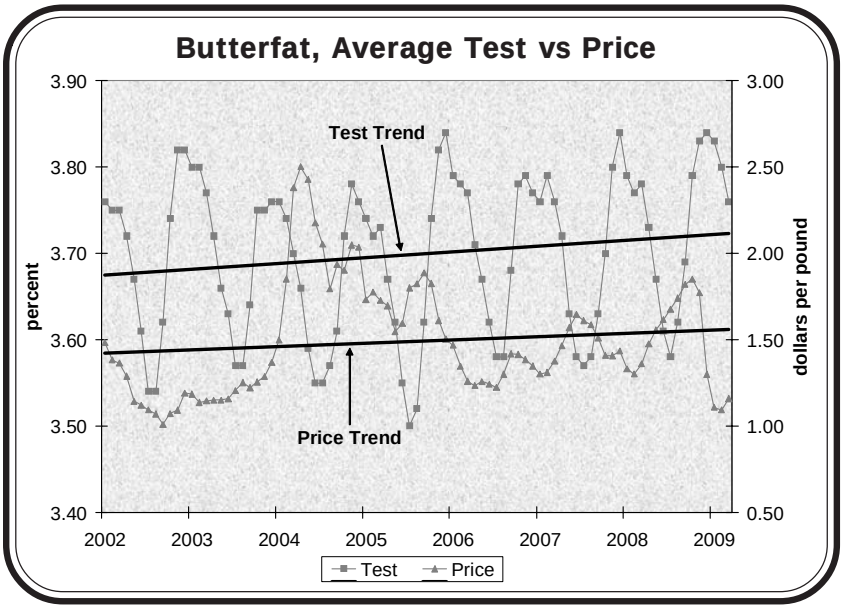
The trendline for butterfat tests since 2002 is fairly flat, but positive, while the price trendline has been about flat over that period. The chart would indicate that demand for butterfat generally has been stable. Higher butterfat prices in 2004 and 2005 may be a response to the lower butterfat tests during those years.

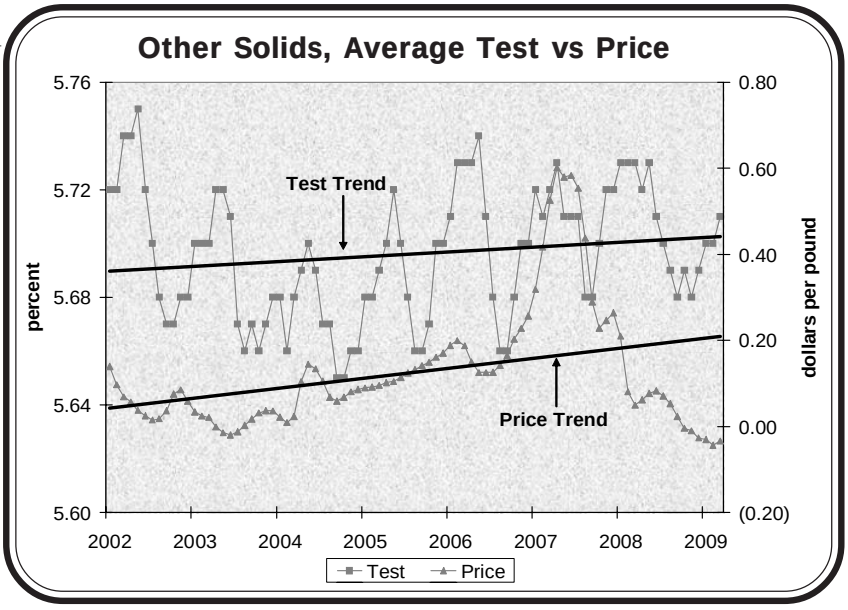
Other Solids

The other solids price showed a strong and consistent increase from 2003 to 2007, then a drop back to negative levels in 2009. The resulting trendline for the other solids price is still somewhat positive. The trendline for other solids tests is less positive; it likely reflects the relatively smaller value other solids represents in producers' milk checks and, possibly, less direct management of other solids levels.

Though average component tests can be higher or lower, it does not necessarily indicate the total volume of the component available to the market as these charts to do not show total production during this period. The three charts together tell a story of increasing value from protein relative to the value derived from butterfat and other solids. ❖







USDA
MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

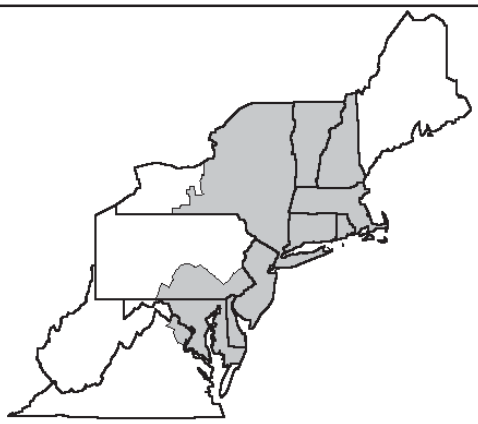
PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	872,447,196	$9.06	79,043,715.96	
Butterfat	16,496,991	1.1243	18,547,566.98	
Less: Location Adjustment to Handlers			(2,799,577.26)	$94,791,705.73
Class II— Butterfat	29,983,423	1.1664	34,972,664.58	
Nonfat Solids	34,324,260	0.7233	24,826,737.30	59,799,401.88
Class III— Butterfat	19,038,833	1.1594	22,073,622.97	
Protein	14,277,400	2.1973	31,371,730.98	
Other Solids	26,537,841	(0.0339)	(899,632.76)	52,545,721.19
Class IV— Butterfat	12,045,738	1.1594	13,965,828.64	
Nonfat Solids	26,209,271	0.6423	16,834,214.80	30,800,043.44
Total Classified Value				**$237,936,872.24**
Add: Overage—All Classes				77,208.40
Inventory Reclassification—All Classes				131,448.94
Other Source Receipts	203,488 Pounds			4,442.51
Total Pool Value				**$238,149,972.09**
Less: Producer Component Valuations @ Class III Component Prices				(224,627,785.64)
Total PPD Value Before Adjustments				**$13,522,186.45**
Add: Location Adjustment to Producers				9,836,247.85
One-half Unobligated Balance—Producer Settlement Fund				572,963.69
Less: Producer Settlement Fund—Reserve				(832,742.22)
Total Pool Milk & PPD Value	2,062,379,979 Producer pounds			**$23,098,655.77**
Producer Price Differential		**$1.12**		
Statistical Uniform Price		**$11.56**		

* 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 2009 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

April Pool Price Calculation

The April 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.08 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $12.45 per hundredweight. April's statistical uniform price was 52 cents per hundredweight above March's price. The April producer price differential (PPD) at Suffolk County was $1.30 per hundredweight, an increase of 18 cents per hundredweight from last month.

During April, all commodity prices increased slightly from the previous month resulting in higher class prices. Since the Class II skim and nonfat solids prices are announced in advance (at the same time as the Class I price) and use the same NASS data as the Class I price, there was a slight decline in those prices due to the decrease in the nonfat dry milk price. This also kept the Class II price below the Class III price for the second month in a row. Even though the dry whey price rose, it was still below the formula's make allowance, resulting in a negative value.❖

MILC Payments Projected

Based on market conditions and outlook as of May 15, Milk Income Loss Contract program (MILC) payments are projected through November of this year. In recent weeks milk and dairy product prices decreased while feed prices increased. MILC payments currently project to average almost $2.00 per hundredweight for the months of April through July. That translates to a monthly MILC payment of about $2,000 for a farm producing 100,000 pounds of milk per month.

Feed Prices

Feed prices have been historically strong, but are projected by USDA to average below last year. Total feed grain supplies for 2009-10 are forecast down 1 percent. However, strong domestic use of feed grains, boosted by a 9-percent rise in corn used to make ethanol, is expected to keep feed grains ending stocks very low, down 27 percent from 2008–09. For the months of May through September, about $0.54 of the total MILC payment rate value is derived from the feed adjustor portion of the MILC formula.

(continued on page 3)

Pool Summary

- A total of 13,444 producers were pooled under the Order with an average daily delivery per producer of 5,023 pounds.
- Pooled milk receipts totaled 2.027 billion pounds, an increase of 1.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.7 percent of total milk receipts, a decrease of 1.4 percentage points from March.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.7	845,963,058
Class II	19.0	385,058,724
Class III	23.1	467,190,203
Class IV	16.2	328,309,798
Total Pooled Milk		2,026,521,783

Producer Component Prices

	2009	2008
	$/lb	
Protein Price	2.2009	3.7579
Butterfat Price	1.2049	1.4748
Other Solids Price	(0.0043)	0.0622

Class Price Factors

	2009	2008
	$/cwt	
Class I	13.61	21.86
Class II	10.49	15.29
Class III	10.78	16.76
Class IV	9.82	14.56

Contribution to Producer Price by Components

The uniform 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 April for the years 2006-2009 using a hypothetical farmer producing 100,000 pounds of milk at the pool average component tests during that month. The examples do not take into account premiums, hauling charges, or any other producer payments or deductions.

Protein Contribution

As has been the case since component pricing was implemented, protein is the largest contributor to a producer's milk check. In the examples shown, the percentage protein accounts for has varied from 43.8 percent in 2007 to 59.8 percent in 2008. Obviously, when the component price is higher, it adds more value, but the test is also a factor: a higher test will maximize payout. In the examples, the test is nearly constant, but for the first six years of the Northeast Order, April protein tests were much lower ranging from 2.97 percent in 2002 to 3.01 percent in 2004. Annual averages have increased from 2.99 in 2000 to 3.06 in 2008 leading one to believe that producers have changed their management practices to increase their herds' protein production to capture the value protein adds to their pay price.

Butterfat Contribution

Butterfat remains the second largest contributor to the producers' pay price. Like protein, it is a combination of the butterfat test and the monthly butterfat price. In the examples shown, butterfat value ranges from 28.9 percent in 2008 to 36.0 percent in 2009. This is somewhat distorted because the butterfat price in 2008 was higher, but since the overall uniform price was higher, the butterfat percent was lower.

Other Solids Effect

As shown in the examples, other solids can have a positive or a negative impact on a producer's price. During April 2007 when the price for dry whey hit record levels, other solids contributed nearly 20 percent of a producer's price. In February of that year, formula changes resulted in an increase in the make allowance from $0.1590 to $0.1956 per pound. This wasn't a significant issue because the whey price was relatively high at the time, averaging $0.6004 per pound for 2007. As it declined in 2008 and fell below the make allowance (changed to $0.1991 in October 2008), the value of other solids to a producer became negative as reflected in the April 2009 example. Beginning in May, the price had risen back up over the make allowance and it is expected that the other solids value will be positive for May.

Producer Price Differential

The value the PPD contributes to a producer's uniform price is a residual value that can be positive or negative and is probably the most variable of the factors. In the examples shown it ranges from 5.3 percent to 13.2 percent of the uniform price. None of the accompanying examples reflect this as the most recent negative PPD was in December 2008.

A negative PPD results when the total pool value is not sufficient to pay producers at the Class III component value. Since producers are paid for their components at the Class III value, the PPD usually represents the extra value that the other higher-valued classes (typically I and II) add to the total pool. When the Class I and, sometimes Class II, price is below the Class III price, this residual can be a negative amount. This occurs partially because of the advance pricing of Class I and part of Class II prices, but also it is affected by the utilization of milk in the various classes during the month. When these combine for a pool value less than the total component value, they negatively affect the price by taking from the producer payout to balance the pool. Negative PPDs have occurred with uniform prices ranging from $15.06 to $19.84 per hundredweight.❖

Contribution to Total Gross Payment*

	April 2009				April 2008			
	Test percent	*Price per pound*	*Gross dollars*	*Contribution percent*	*Test percent*	*Price per pound*	*Gross dollars*	*Contribution percent*
Butterfat	3.72	1.2049	$4,482.23	**36.0**	3.73	1.4748	$5,501.00	**28.9**
True Protein	3.04	2.2009	$6,690.74	**53.7**	3.03	3.7579	$11,386.44	**59.8**
Other Solids	5.70	-0.0043	(24.51)	**(0.2)**	5.72	0.0622	$355.78	**1.9**
PPD		1.30	$1,300.00	**10.4**		1.79	$1,790.00	**9.4**
Total gross payment			$12,448.45				$19,033.23	
Gross price per cwt			**$12.45**				**$19.03**	

	April 2007				April 2006			
	Test percent	*Price per pound*	*Gross dollars*	*Contribution percent*	*Test percent*	*Price per pound*	*Gross dollars*	*Contribution percent*
Butterfat	3.72	1.4657	$5,452.40	**31.2**	3.71	1.2343	$4,579.25	**35.2**
True Protein	3.04	2.5212	$7,664.45	**43.8**	3.04	1.9238	$5,848.35	**45.0**
Other Solids	5.73	0.6008	$3,442.58	**19.7**	5.73	0.1508	$864.08	**6.6**
PPD		0.93	$930.00	**5.3**		1.71	$1,710.00	**13.2**
Total gross payment			$17,489.44				$13,001.69	
Gross price per cwt			**$17.49**				**$13.00**	

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

Changes in Utilization

For the first 3 months of 2009, total producer receipts (milk pooled from producers shipping to handlers regulated under the Order) declined 2.8 percent. The utilization of this milk shows a similar 2.4 percent decline. The difference is due to the addition of inventories when calculating utilization. The accompanying table shows changes for selected products by class. All comparisons have been adjusted for leap year.

Class Changes

Overall Class I usage decreased 0.9 percent during the first quarter compared to last year. Declines occurred in whole milk, flavored milk and drinks, and fatfree, while lowfat, reduced fat, buttermilk and eggnog, and organic milk all had increases. Class II utilization grew 5.5 percent. Increases occurred in yogurt and ice cream; cottage, ricotta, sour cream, and prepared products all dropped. Overall, Class III usage declined 5.8 percent with decreases in Italian and cream cheese. American, Swiss, and other cheeses showed growth. Class IV utilization had the largest decline (8.9 percent). Condensed products, butter, and dried milk products all had considerable decreases compared to 2008.❖

Northeast Order Utilization for Selected Products, January–March, 2009

	Product	Volume in* million pounds	Percent Change from 2008
Class I	Whole	718.7	(2.4)
	Lowfat	422.2	2.9
	Flavored	147.4	(3.2)
	Organic	72.1	11.8
	*Total Class I***	2,842.1	(0.9)
Class II	Ricotta	53.4	(6.0)
	Sour Cream	47.2	(7.4)
	Yogurt	98.3	40.6
	Ice Cream	410.4	7.8
	Total Class II	1,201.0	5.5
Class III	American	448.0	3.4
	Cream cheese	159.3	(8.6)
	Italian	660.4	(16.1)
	Swiss & Other	82.0	41.2
	Total Class III	1,383.4	(5.8)
Class IV	Condensed	61.3	(11.5)
	Butter	40.9	(7.3)
	Dried Products	601.2	(12.2)
	Total Class IV	1,120.6	(8.9)
Total Utilization		6,565.8	(2.4)

* Class totals include other categories not shown such as bulk shipments to nonorder plants, inventory, and shrinkage.
** Only includes sales by Fully Regulated Pool Handlers.

MILC *(continued from page 1)*

Milk Prices

The Northeast Uniform Price at Boston, Massachusetts, is projected to average $13.64 per hundredweight for the year. Including MILC payments, the average minimum payment to producers in the Northeast Order will average $14.77. In April, Chicago Mercantile Exchange (CME) futures prices indicated stronger prices than currently are being predicted. Cheese prices strengthened in April as buyers were filling orders for the Easter holiday period. The buying led to higher prices on the CME futures market. Since then, cheese prices have sagged to support levels, or below, and futures prices have followed.

As exports and domestic demand recover and milk production declines, prices are expected to move higher as the year progresses, with the Northeast Uniform Price reaching over $16.00 per hundredweight in November and December.❖

Estimated Prices, April–December 2009, and Annual Average 2009

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Average
CBOT Futures-based Estimates *(May 15)*	dollars									
Corn (per bushel)	4.04	4.21	4.19	4.17	4.22	4.26	4.30	4.34	4.38	4.18
Soybean (per bushel)	10.39	11.66	11.48	11.30	10.85	10.23	9.99	9.75	9.76	10.34
Alfalfa hay (per ton)	151	157	156	155	155	154	154	154	154	152
Feed-adjusted MILC Trigger Price (per cwt)	17.77	18.24	18.18	18.12	18.09	18.03	18.03	18.04	18.09	17.92
CME Futures-based Estimates *(May 15)*	dollars per hundredweight *(actual prices in bold)*									
Class I	**13.61**	**14.22**	13.35	13.90	15.10	16.54	17.40	17.97	18.16	15.49
Uniform Price	**12.08**	12.28	12.23	12.88	13.95	15.04	15.69	16.04	16.00	13.64
PPD	**1.30**	2.45	1.91	1.03	0.66	0.89	0.97	1.13	1.01	1.52
Value Added from Feed Adjustor*	0.37	0.58	0.56	0.53	0.52	0.49	0.27	0.03	0.00	0.30
Total MILC Payment	1.87	1.81	2.17	1.90	1.35	0.67	0.28	0.03	0.00	1.13
Uniform Price + MILC	13.95	14.09	14.40	14.78	15.30	15.71	15.97	16.08	16.00	14.77
Class II	**10.49**	10.80	11.35	11.77	12.00	12.38	12.59	12.63	12.65	11.47
Class III	**10.78**	9.83	10.32	11.85	13.29	14.15	14.72	14.91	14.99	12.11
Class IV	**9.82**	10.10	10.65	11.07	11.30	11.68	11.89	11.93	11.95	10.76

Note: Corn & soybean prices based on CBOT prices as settled on day indicated. Months in between contract months are extrapolated from surrounding months assuming directional trend. Class I price is estimated using a higher of CME Class III and Class IV futures prices as settled on the day indicated. Uniform price estimates based on utilization predicted as of November 2008.
* Difference in value from the MILC program with vs. without the feed cost adjustor. ((Feed-adjusted MILC Trigger Price minus $16.94)* 45 percent) when the Class I prices is under $16.94.

USDA
MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

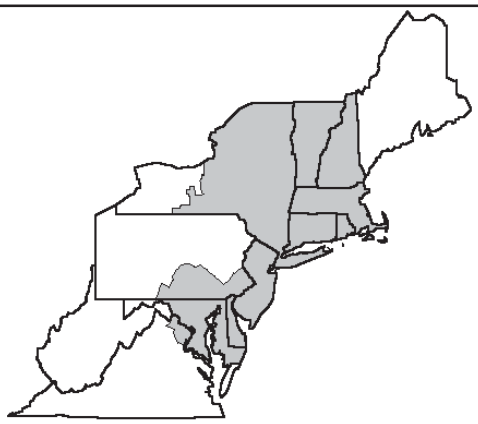
PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	830,126,465	$9.81	81,435,406.22	
Butterfat	15,836,593	1.1825	18,726,771.22	
Less: Location Adjustment to Handlers			(2,707,292.37)	$97,454,885.00
Class II— Butterfat	28,722,551	1.2119	34,808,859.58	
Nonfat Solids	32,325,115	0.7189	23,238,525.17	58,047,384.75
Class III— Butterfat	19,799,199	1.2049	23,856,054.86	
Protein	14,201,131	2.2009	31,255,269.21	
Other Solids	26,450,525	(0.0043)	(113,737.30)	54,997,586.77
Class IV— Butterfat	10,968,792	1.2049	13,216,297.45	
Nonfat Solids	28,782,993	0.6452	18,570,787.08	31,787,084.53
Total Classified Value				**$242,286,941.05**
Add: Overage—All Classes				49,704.46
Inventory Reclassification—All Classes				96,262.08
Other Source Receipts	115,080 Pounds			3,214.80
Total Pool Value				**$242,436,122.39**
Less: Producer Component Valuations @ Class III Component Prices				(225,906,220.45)
Total PPD Value Before Adjustments				**$16,529,901.94**
Add: Location Adjustment to Producers				9,874,392.29
One-half Unobligated Balance—Producer Settlement Fund				810,860.57
Less: Producer Settlement Fund—Reserve				(868,875.56)
Total Pool Milk & PPD Value	2,026,636,863 Producer pounds			**$26,346,279.24**
Producer Price Differential		**$1.30**		
Statistical Uniform Price		**$12.08**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

May 2009 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 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.18 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 $12.44 per hundredweight. May's statistical uniform price was 10 cents per hundredweight above April's price. The May producer price differential (PPD) at Suffolk County was $2.34 per hundredweight, an increase of $1.04 per hundredweight from last month.

During May, all commodity prices increased except cheese, which declined and resulted in the lowest protein price since April 2001. Correspondingly, the Class III price dropped 94 cents, making it the lowest price of all the classes. All of the other class prices increased from last month. Dry whey increased over the make allowance value resulting in the first positive other solids price since September 2008. Due to the wider spread between class prices, the PPD increased over $1.00 per hundredweight. With a significantly positive PPD, there was no advantage to depool milk.

The producer protein test averaged 3.03 percent for May and tied with last year for the record high.❖

Producer-Handler Hearing Update

USDA held a public hearing from May 4-19, 2009, in Cincinnati, OH, to consider and take evidence on proposals seeking to amend or remove the producer-handler provisions and revise the exempt plant provisions applicable to all federal milk marketing orders. In addition, a proposal seeking to amend the orders to include provisions related to individual handler pools was considered as an alternative to the producer-handler provisions.

Transcripts from this hearing are available for viewing at USDA's website: www.ams.usda.gov/dairy. Transcript corrections are due June 26, 2009 and briefs are due July 17, 2009. Both must be received by the hearing clerk no later than 4:30 pm on their respective dates. Within 90 days after the deadline for submission of briefs, USDA shall issue a recommended or tentative final decision.❖

Pool Summary

- A total of 13,384 producers were pooled under the Order with an average daily delivery per producer of 5,112 pounds.
- Pooled milk receipts totaled 2.121 billion pounds, an increase of 1.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.9 percent of total milk receipts, a decrease of 1.8 percentage points from April.
- The average butterfat test of producer receipts was 3.66 percent.
- The average true protein test of producer receipts was 3.03 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.9	846,458,711
Class II	19.5	414,109,966
Class III	24.0	507,976,062
Class IV	16.6	352,295,419
Total Pooled Milk		2,120,840,158

Producer Component Prices

	2009	2008
	$/lb	
Protein Price	1.7454	4.1108
Butterfat Price	1.2648	1.5562
Other Solids Price	0.0336	0.0766

Class Price Factors

	2009	2008
	$/cwt	
Class I	14.22	19.87
Class II	10.71	15.51
Class III	9.84	18.18
Class IV	10.14	15.26

Average Component Tests by County, 2008

Based on verified payroll data, during 2008, the weighted average annual protein test for the Northeast Order was 3.04 percent. The weighted average annual butterfat test was 3.71 percent. The order averaged 13,584 producers from an area that ranges from Maine to Virginia as well as some producers from west of the traditional milkshed.

The accompanying maps show average protein and butterfat tests by county for 2008. Only counties with more than 7 million pounds of production for the year or had more than 3 producers are highlighted. The counties have been grouped in three categories for both protein and butterfat based on the test average for the county. They are grouped into high, medium, and low average test groupings.

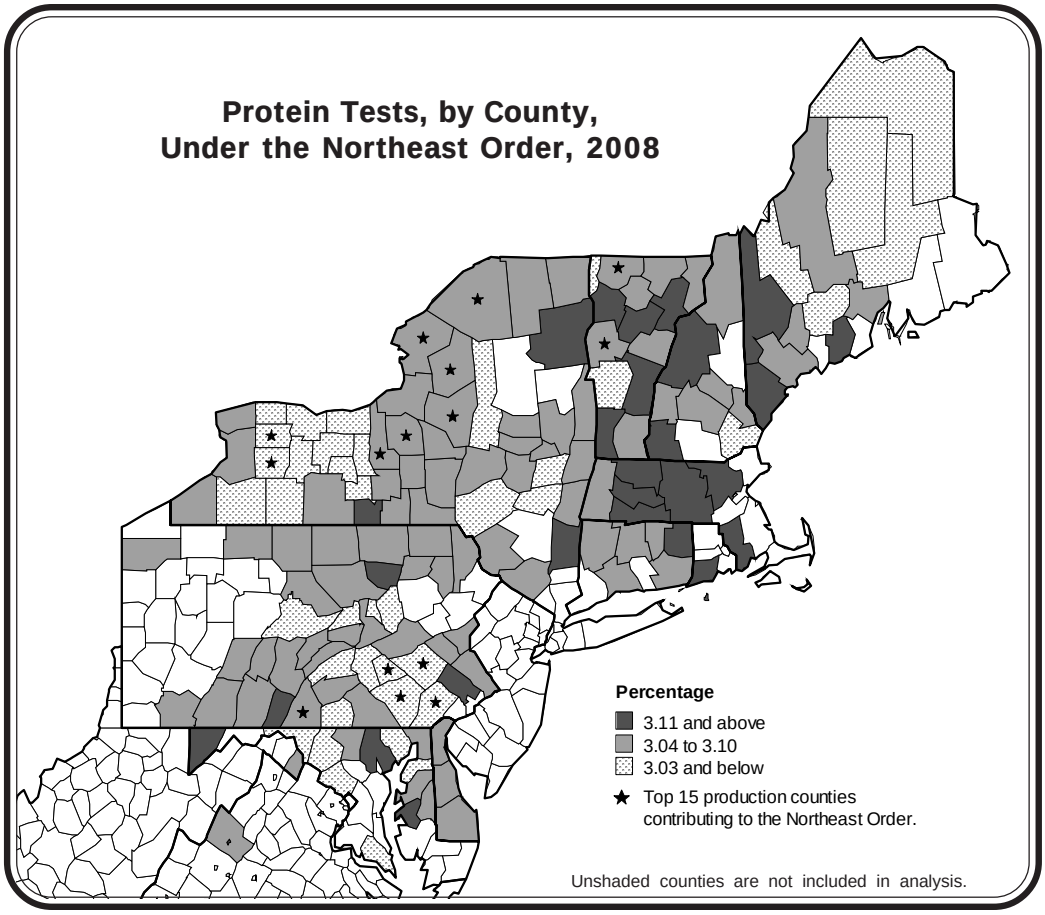
For protein, 28 counties fall into the high average protein test range for the year, defined as average county protein test of 3.11 percent or higher. Forty-one counties fall into the low range, defined as average county protein test of 3.03 or below. The other 90 counties depicted here are in the middle group averaging 3.04 to 3.10 percent.

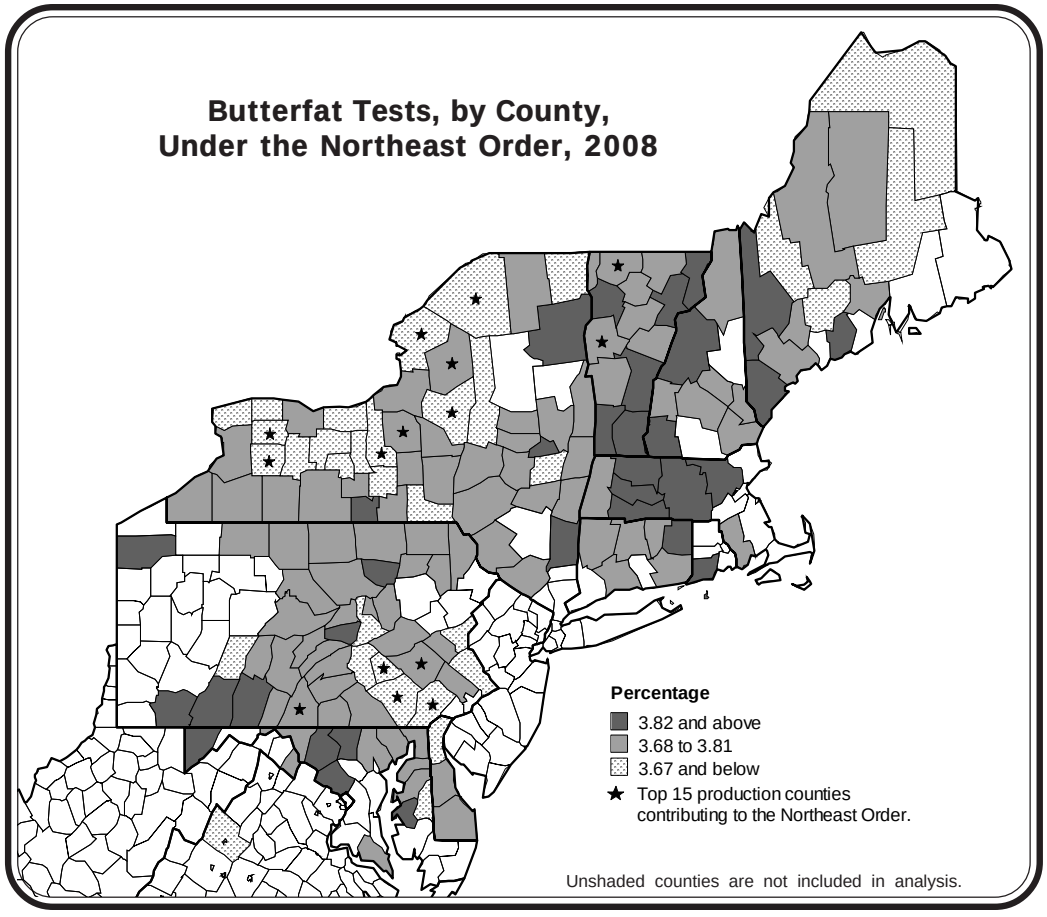
For butterfat, 33 counties fall into the high average butterfat test range for the year, defined as average county butterfat test of 3.82 percent or higher. Thirty-three counties fall into the low range, defined as average county butterfat test of 3.67 or below. The other 93 counties depicted here are in the middle group averaging 3.68 to 3.81 percent.

Regional Differences

Between geographic regions with the northeast, differences in climate, breeds of cattle, common management practices, and other characteristics of dairy operations can result in varying component levels from region to region.

(continued on page 3)





Manufactured Dairy Products—2008 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2008 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 1.3 percent in 2008 (down from 2.6 percent in 2007). American cheese production increased 4.7 percent (compared to a decrease of 0.9 percent in 2007) while Italian decreased 1.2 percent (down from 5.7 in 2007).

American production accounted for 41.0 percent of all cheese, up from 39.7 percent in 2007. Italian accounted for 41.9 percent of all cheese, down from 42.9 the previous year. Hispanic cheese production rose 1.1 percent; this follows increases of 4.8 and 8.6 percent in 2007 and 2006, respectively.

Selected U.S. Manufactured Dairy Products, 2007–2008

	2007	2008	Yr-to-Yr Change
	million pounds		percent
Cheese			
American^	3,877	4,071	4.7
Italian	4,199	4,158	(1.2)
Other*	1,701	1,705	(0.0)
Total Cheese#	9,777	9,935	1.3
Butter	1,533	1,644	7.0
NFDM~	1,298	1,519	16.7
Condensed Skim**	1,639	1,509	(8.2)
Dry Whey~	1,073	1,050	(2.4)
Whey Protein Concentrate~	357	385	7.5
Yogurt	3,476	3,599	3.3
Ice Cream	956	943	(1.7)

^ Includes Cheddar, Colby, Monterey, and Jack.

* Includes Swiss, Muenster, brick, limburger, blue, Hispanic, cream/Neufchatel, and other varieties.

** Unsweetened.

Excludes cottage cheese.

~ For human use.

Source: NASS *Dairy Products 2008 Summary* .

Other Products

Butter production rose 7.0 percent in 2008 (compared to 5.8 percent in 2007). Yogurt (plain and fruit flavored) grew 3.3 percent (compared to 5.3 percent last year). Nonfat dry milk (NFDM) jumped 16.7 percent; last year it rose 4.4 percent. The production of canned evaporated and condensed whole milk increased 17.9 percent (compared to last year's decline of 2.4 percent) while unsweetened skim condensed dropped 8.2 percent (compared to a 34.5 jump percent in 2007). Production (for human use) of dry whey declined 2.4 percent and whey protein concentrate increased 7.5 percent. During 2007, dry whey increased a slight 0.8 percent and whey protein concentrate dropped 5.6 percent.

Leading States

There was no change in the top cheese producing states during 2008: 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 third in yogurt and second in dry whey. Pennsylvania ranked third in butter and fourth in the production of ice cream. These rankings are based on the states shown in the report; some states may have been excluded due to having fewer than 3 handlers reporting.

Wisconsin still recorded the largest number of dairy manufacturing plants (212), followed by New York (113), and California (107). Overall, the number of plants decreased 0.6 percent in 2008; this follows an increase of 2.7 percent in 2007.❖

Average Components *(continued from page 2)*

When looking at the map for protein tests, comparatively lower protein tests seem to be characteristic of southeast Pennsylvania, western New York, and northern Maine. Eighteen of the 28 high protein counties are located in New England.

When looking at the map for butterfat tests, the areas of southeast Pennsylvania, western New York, and northern Maine are also characterized by lower tests. In addition, the northern New York/St. Lawrence River valley region of New York also appears to have lower butterfat tests. Eighteen of the 33 high butterfat counties are located in New England.

Top 15 Ranked Production Counties

Of the top 15 milk producing counties on the Northeast order, six fell into the low average protein test group. Two of those counties are in New York (Genesee and Wyoming) and four are in Pennsylvania (Berks, Chester, Lebanon, and Lancaster). None of the top 15 milk producing counties fell into the high average protein test grouping.

Nine of the top 15 milk producing counties on the Northeast order fall into the low average butterfat test group. Six of them are in New York (Cayuga, Genesee, Jefferson, Oneida, St. Lawrence, and Wyoming) and three are in Pennsylvania (Chester, Lebanon, and Lancaster). None of the top 15 milk producing counties fell into the high average butterfat test grouping.

The data suggest that high milk production counties are more likely to be characterized by lower component tests than higher tests, particularly with respect to butterfat. The degree to which that may be true would require more in depth analysis.❖

USDA
MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

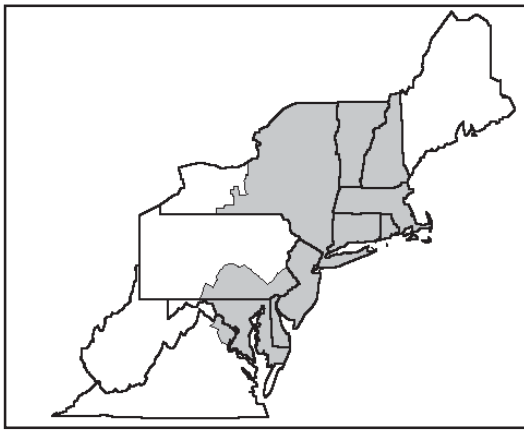
PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	830,937,706	$10.26	85,254,208.64	
Butterfat	15,521,005	1.2344	19,159,128.57	
Less: Location Adjustment to Handlers			(2,680,563.22)	$101,732,774.03
Class II— Butterfat	30,208,725	1.2718	38,419,456.44	
Nonfat Solids	34,754,959	0.7211	25,061,800.94	63,481,257.38
Class III— Butterfat	19,892,631	1.2648	25,160,199.71	
Protein	15,406,829	1.7454	26,891,079.32	
Other Solids	28,864,481	0.0336	969,846.53	53,021,125.56
Class IV— Butterfat	11,962,225	1.2648	15,129,822.16	
Nonfat Solids	30,755,845	0.6574	20,218,892.50	35,348,714.66
Total Classified Value				**$253,583,871.63**
Add: Overage—All Classes				21,206.50
Inventory Reclassification—All Classes				63,516.42
Other Source Receipts	75,666 Pounds			3,199.29
Total Pool Value				**$253,671,793.84**
Less: Producer Component Valuations @ Class III Component Prices				(214,201,745.04)
Total PPD Value Before Adjustments				**$39,470,048.80**
Add: Location Adjustment to Producers				10,382,098.27
One-half Unobligated Balance—Producer Settlement Fund				834,606.14
Less: Producer Settlement Fund—Reserve				(1,057,322.99)
Total Pool Milk & PPD Value	2,120,915,824 Producer pounds			**$49,629,430.22**
Producer Price Differential		**$2.34**		
Statistical Uniform Price		**$12.18**		

* 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 2009 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

June Pool Price Calculation

The June 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $11.93 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 $12.10 per hundredweight. June's statistical uniform price was 25 cents per hundredweight below May's price. The June producer price differential (PPD) at Suffolk County was $1.96 per hundredweight, a decrease of 38 cents per hundredweight from last month.

During June, commodity prices for butter and cheese decreased while nonfat dry milk and dry whey increased. This resulted in higher prices for nonfat and other solids and lower prices for butterfat and protein. The Class I price, announced in advance, declined 89 cents from May; all other class prices rose slightly.

The producer butterfat test averaged 3.63 percent, tying 2000 and 2003 for the record-high June test. The producer protein test set a new record for June with 3.00 percent, while other solids recorded its lowest test since the Order's inception averaging 5.68 percent.❖

Changes in Utilization

For the first 6 months of 2009, total producer receipts (milk pooled from producers shipping to handlers regulated under the Order) declined less than 1 percent. The utilization of this milk shows a similar 0.7 percent decline. The difference is due to the addition of inventories when calculating utilization. The accompanying table shows changes for selected products by class. All comparisons have been adjusted for leap year.

Class Changes

Overall Class I usage continued to follow the trend seen in the first quarter of 2009, a slight decrease (0.7 percent). The only difference in trend was a decline in buttermilk and eggnog, which increased during the first quarter. Class II utilization increased 1.6 percent (5.5 percent during first quarter). Ricotta usage bounced back and yogurt production continued strong. Overall, Class III usage grew 3.4 percent reversing a first quarter decline of 5.8 percent. American, Swiss, and cream cheese were all up; Italian continued to decline, but at a lower rate. Class IV

(continued on page 3)

Pool Summary

- A total of 13,402 producers were pooled under the Order with an average daily delivery per producer of 4,980 pounds.
- Pooled milk receipts totaled 2.002 billion pounds, a decrease of 2.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.2 percent of total milk receipts, an increase of 1.3 percentage points from May.
- The average butterfat test of producer receipts was 3.63 percent.
- The average true protein test of producer receipts was 3.00 percent.
- The average other solids test of producer receipts was 5.68 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.2	825,014,634
Class II	20.3	406,230,712
Class III	24.9	498,165,565
Class IV	13.6	272,960,209
Total Pooled Milk		2,002,371,120

Producer Component Prices

	2009	2008
	$/lb	
Protein Price	1.7283	4.7193
Butterfat Price	1.2544	1.6160
Other Solids Price	0.0723	0.0826

Class Price Factors

	2009	2008
	$/cwt	
Class I	13.33	21.43
Class II	10.79	16.19
Class III	9.97	20.25
Class IV	10.22	15.92

Market Situation

June was the fifth month in a row with a statistical uniform price below $12.25 per hundredweight at Boston, Massachusetts. For the first half of 2009, the uniform price at Boston averaged $12.27 per hundredweight. Currently, 2002 stands as the year with the lowest annual average uniform price, $12.64 per hundredweight. Including price projections based on the Chicago Mercantile Exchange (CME) futures markets, 2009 is estimated to average just above that, at $12.75 per hundredweight. Taking into account Milk Income Loss Contract (MILC) payments, producers are projected to receive an average of $14.02 per hundredweight for 2009, without including market or handler premiums. The low prices are the result of supply and demand factors, which a look at some measures of these factors will show.

Prices for dairy products, which feed into the federal order pricing formulas, are close to support levels. CME futures prices indicate an expectation that prices will increase over the next several months, but not to levels that will lead to favorable returns to operating costs, considering that MILC payments are still projected through the early part of 2010. Any strengthening in milk prices will depend upon increased demand or a decrease in supply.

General Economic Measures of Demand

Domestic demand has suffered in response to the recession. In fact, the Consumer Price Index (CPI) for the first half of 2009 is down compared to the same period last year, the first time that has happened since at least 1984 (the base period for the CPI). Such deflation reflects the lack of demand in the economy in general. Interestingly, the CPI for food for the first half of 2009 is up, despite dairy prices being down. Restaurants are large users of dairy products and the Restaurant Performance Index (RPI) is a barometer that tracks the health of the restaurant industry based on same-store sales, traffic, labor and capital expenditures. The RPI for May was down slightly following 5 months of increases. It was still below 100 (a threshold indicating contraction) for the 19th consecutive month, but the recent upward trend is promising. The Consumer Confidence Index (CCI) measures the degree of optimism consumers feel about the economy and their finances and is a key indicator of the overall shape of the economy. The CCI stood at 49.3 in June, still historically low, but above February 2009's all time low of 25.0. Taken together, these economic indicators seem to imply that the demand situation is still very weak, but there are some signs of slow recovery.

Dairy Stocks

Overall, manufacturer and government stocks of dairy commodities have risen, further indication of the weak demand. Manufacturer stocks of nonfat dry milk as of May 2009 were 189.2 million pounds, up 43.7 percent from the previous year. Manufacturer stocks of cheese reached 957 million pounds in May 2009, about 9 percent above last year. Butter stocks for May, at 251,027 million pounds, are down 6.8 percent. The Commodity Credit Corporation has purchased 4.6 million pounds of butter and almost 273 million pounds of nonfat dry milk since October 2008.

For the January through April period, commercial disappearance of nonfat dry milk and butter are down 12.6 and 4.8 percent, respectively, compared to the previous year.

Demand for U.S. Exports

As a component of the demand equation, the export market has been unable to offer any benefit. USDA estimates that dairy exports for the year will be down 57 percent on a fat-basis. For the first 4 months compared to last year, nonfat dry milk/skim milk powder is down 52 percent, cheese is down 29 percent, and butter is down 79 percent. Total whey exports were up 3 percent. Help from exports in the near future will be hindered by the fact that major importers of U.S. dairy products are also struggling economically. The Mexican economy, which relies in large part on oil revenue and U.S. tourism, shrunk at an annualized

(continued on page 3)

Commercial Disappearance: Total Milk and Selected Dairy Products Year to Date, 2008-2009 1/

	Jan–Apr 2008		Jan–Apr 2009	
	million lbs	Percent change 2/	million lbs	Percent change 2/
MILK				
Production	63,726	2.2	63,423	0.3
Marketings	63,371	2.2	63,062	0.3
Beginning Commercial Stocks 3/	10,355	8.9	10,045	(3.0)
Imports 3/	1,200	(18.5)	1,190	(0.1)
Total Supply 4/	74,926	2.2	74,297	0.4
Ending Commercial Stocks 3/	12,989	(1.8)	13,279	2.2
Net Removals 3/	0	0.0	128	100.0
Commercial Disappearance 4/	61,937	3.7	60,890	(0.9)
SELECTED PRODUCTS 5/				
Butter	523.1	21.2	494.1	(4.8)
American Cheese	1,313.7	1.5	1,354.7	4.0
Other Cheese	1,987.1	(0.8)	1,998.3	1.4
Nonfat dry Milk	525.1	21.6	455.1	(12.6)
Fluid Milk Products 6/	18,513.0	(1.2)	18,575.3	1.2

1/ Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. 2/ From year earlier on a daily average basis. 3/ Milk-equivalent, milkfat basis. 4/ Totals may not add because of rounding. 5/ Commercial disappearance in product pounds. 6/ Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. Source: Economic Research Service, USDA. *Fluid Milk Products*— AMS, USDA.

Market *(continued from page 2)*

rate of 21 percent in the first quarter. The Japanese economy shrunk by 15 percent.

USDA allocated volumes for the Dairy Export Incentive Program (DEIP) for the 2009–10 marketing year that began July 1. Initial allocations are for 106.2 million pounds of nonfat dry milk, 42.4 million pounds of butterfat, and 6.3 million pounds of cheese.

Supply

Milk production has been above last year by just a tenth or two tenths of a percent from March through May. Milk prices will not rebound significantly until the milk supply contracts to a level more in line with decreased demand brought about by the U.S. and worldwide economic downturn. The milk-feed price ratio has been below 2.00 for all but 2 months since April 2008 and was at a record low 1.47 in May and June. Milk-feed price ratios below 2.5 signal contraction. The lag in the milk supply response to such dramatically low levels of profitability is somewhat surprising. Using pooled pounds as a proxy for supply for the Northeast order, Northeast order pooled pounds for January–June are down 0.5 percent in 2009 (from 2008) in the face of a 36 percent decline in the uniform price.

According to USDA, the number of milk cows for the first quarter of 2009 was still 11,000 head above the previous year. Cooperatives Working Together (CWT) removed 101,000 cows from the national herd this spring, representing almost 2 billion pounds of milk production. On July 10, CWT announced a second herd retirement round for 2009 (the fourth round in about 12 months).

Outlook

The current U.S. and worldwide recession appears to be deep and broad in scope with expectations that recovery will be slow. Milk prices may increase somewhat with seasonal reductions in production, though price gains on a larger scale will depend on a realignment of supply and demand.❖

Utilization *(continued from page 1)*

utilization declined 7.0 percent, down somewhat from a first quarter 8.9 percent drop. Condensed products decreased 30.4 percent; they were down 11.5 percent first quarter. For the January-June period, butter increased 3.7 percent; first quarter butter declined 7.3 percent. Dried milk products increased 4.1 percent for the 6 month period; quite a change from the 12.2 percent decline during the first quarter.

2008 Depooling Effect

During May and June of 2008, a total of about 300 million pounds were depooled. If this milk had been on the Order, the year-to-year change from 2008 for the first 6 months of 2009 period would have been a decline of 2.9 percent. Most of the effect of this milk would have occurred in Class III negating the increase seen this year.❖

Northeast Order Utilization for Selected Products, January–June, 2008 and 2009

	Product	Volume* Utilized million pounds	Change from Previous Year percent
Class I	Whole	1,420.0	(2.3)
	Fatfree	720.3	(0.6)
	Flavored	276.5	(7.1)
	*Total Class I***	5,644.4	(0.7)
Class II	Ricotta	95.0	5.0
	Yogurt	212.8	33.0
	Ice Cream	884.7	(1.5)
	Total Class II	2,502.1	1.6
Class III	American	897.8	8.9
	Italian	1,384.7	(6.2)
	Swiss & Other	173.0	34.5
	Total Class III	2,873.1	3.4
Class IV	Condensed	96.1	(30.4)
	Butter	98.2	3.7
	Dried Products	1,470.2	4.1
	Total Class IV	2,385.8	(7.0)
Total Utilization		13,445.0	(0.7)

* Class totals include other categories not shown such as bulk shipments to nonorder plants, inventory, and shrinkage.
** Only includes sales by Fully Regulated Pool Handlers.

Pool Summary for All Federal Orders, January–June 2009

Federal Order Number	Name	Total Producer Milk 2008	Total Producer Milk 2009	Change~	Producer Price Differential# 2008	Producer Price Differential# 2009	Statistical Uniform Price#* 2008	Statistical Uniform Price#* 2009
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**12,202,045,700**	**12,073,098,375**	**(0.5)**	**0.88**	**2.09**	**19.14**	**12.27**
5	Appalachian	2,928,588,628	3,025,288,161	3.9	N/A	N/A	20.35	13.43
6	Florida	1,631,301,631	1,560,321,822	(3.8)	N/A	N/A	21.93	15.64
7	Southeast	3,561,935,017	3,744,243,856	5.7	N/A	N/A	20.42	13.58
30	Upper Midwest	13,379,910,426	16,351,094,218	22.9	0.09	0.41	18.35	10.59
32	Central	5,648,429,998	6,755,867,916	20.3	(0.30)	0.77	17.96	10.96
33	Mideast	8,023,319,966	8,416,253,148	5.5	0.14	1.20	18.40	11.39
124	Pacific Northwest	3,380,641,534	3,858,975,635	14.8	(0.82)	0.72	17.44	10.91
126	Southwest	4,709,549,746	5,880,545,884	25.6	0.47	1.75	18.73	11.94
131	Arizona	2,172,705,243	2,177,023,956	0.8	N/A	N/A	17.95	11.16
All Market Total/Average		57,638,427,889	63,842,712,971	11.4	0.08	1.16	19.06	12.19

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

USDA
MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

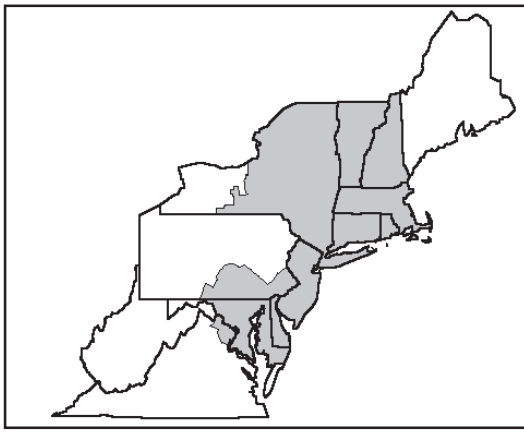
PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	809,597,799	$9.16	74,159,158.39	
Butterfat	15,416,835	1.2842	19,798,299.51	
Less: Location Adjustment to Handlers			(2,646,580.30)	$91,310,877.62
Class II— Butterfat	30,217,161	1.2614	38,115,926.92	
Nonfat Solids	33,857,016	0.7344	24,864,592.54	62,980,519.46
Class III— Butterfat	17,757,078	1.2544	22,274,478.65	
Protein	15,001,977	1.7283	25,927,916.89	
Other Solids	28,367,967	0.0723	2,051,004.00	50,253,399.54
Class IV— Butterfat	9,252,941	1.2544	11,606,889.18	
Nonfat Solids	23,664,451	0.6715	15,890,678.86	27,497,568.04
Total Classified Value				**$232,042,364.66**
Add: Overage—All Classes				61,302.54
Inventory Reclassification—All Classes				57,023.12
Other Source Receipts	182,613 Pounds			5,683.28
Total Pool Value				**$232,166,373.60**
Less: Producer Component Valuations @ Class III Component Prices				(203,059,216.31)
Total PPD Value Before Adjustments				**$29,107,157.29**
Add: Location Adjustment to Producers				9,891,104.61
One-half Unobligated Balance—Producer Settlement Fund				1,055,150.52
Less: Producer Settlement Fund—Reserve				(803,359.27)
Total Pool Milk & PPD Value	2,002,553,733 Producer pounds			**$39,250,053.15**
Producer Price Differential		**$1.96**		
Statistical Uniform Price		**$11.93**		

* 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 2009 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 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $11.99 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 $12.11 per hundredweight. July's statistical uniform price was 6 cents per hundredweight above June's price. The July producer price differential (PPD) at Suffolk County was $2.02 per hundredweight, also an increase of 6 cents per hundredweight from last month.

During July, all commodity prices dropped slightly except dry whey. This resulted in lower prices for butterfat, protein, and nonfat solids while the other solids price increased. The Class I price, announced in advance, increased 18 cents from June; the Class II and IV prices changed slightly, and the Class III price was unchanged from June. The spread between the classes was very similar to last month resulting in little change in the PPD and uniform price.

The producer butterfat test averaged 3.61 percent, setting a new record for the month of June. The producer protein test averaged 2.98 percent, tying the June 2007.❖

Support Prices Increased

On July 31, 2009, Agriculture Secretary Vilsack announced an increase in the amount paid for dairy products through the Dairy Product Price Support Program. The increase will be in effect from August through October 2009. According to USDA estimates, these changes will increase dairy farmers' revenue by $243 million.

The temporary increase raised the price for nonfat dry milk (NFDM) from $0.80 to $0.92 per pound, the price for cheddar blocks from $1.13 to $1.31 per pound, and the price of cheddar barrels from $1.10 to $1.28 per pound. The support price for butter was not changed, remaining at $1.05 per pound, which is currently below prices traded on the Chicago Mercantile Exchange (CME) and the National Agricultural Statistics Service (NASS) Dairy Products Price Survey.

(continued on page 3)

Pool Summary

- A total of 13,422 producers were pooled under the Order with an average daily delivery per producer of 4,903 pounds.
- Pooled milk receipts totaled 2.040 billion pounds, a decrease of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.8 percent of total milk receipts, an increase of 0.3 percentage points from June.
- 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 5.69 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.8	831,666,173
Class II	21.5	438,867,055
Class III	24.5	500,330,380
Class IV	13.2	269,274,772
Total Pooled Milk		2,040,138,380

Producer Component Prices

	2009	2008
	$/lb	
Protein Price	1.6970	4.0025
Butterfat Price	1.2438	1.6774
Other Solids Price	0.0949	0.0707

Class Price Factors

	2009	2008
	$/cwt	
Class I	13.51	24.03
Class II	10.87	16.81
Class III	9.97	18.24
Class IV	10.15	16.60

"Tanker Load Per Day" Farms by State

During May 2009 (verified payroll data), there were 149 farm operations (defined as a single farm location) that marketed at least 1.5 million pounds of milk per month on the Northeast Order. This amount of milk roughly equates to a single tractor-trailer size load per day. In total, these farms marketed 358 million pounds on the Order. The number of farms producing at least 1.5 million pounds a month increased by 38 since May 2006. These "large" farms represented 16.8 percent of the total milk pooled on the Northeast Order in May 2009, compared to 12.3 percent in 2006—a difference of almost 103 million pounds of milk. They represented 9.1 percent of the total milk pooled in May 2003.

These 149 farms represent just 1.1 percent of the 13,303 farms pooled on the Northeast Order. The greatest number of "large" farms pooled on the Order operate farms in New York, and these 92 farms pooled a total of 237 million pounds of milk during May. New York has experienced most of the growth in these large-size farms in the Northeast. Of the net increase of 38 "large" farms since 2006, those in New York accounted for 22 of them. "Large" farms accounted for 26.0 percent of the milk pooled from New York in May 2009, up from 19.6 percent in 2006. They accounted for 19.1 percent of the milk pooled from Vermont, up from 16.0 percent in 2006. There was one "large" farm pooling on the Northeast Order from outside the traditional marketing area in May 2009. Farms pooling between 750,000 and 1.5 million pounds a month increased by 34 farms during this period.

Roughly 36 percent of farms pooling on the Northeast marketed between 50,000 and 99,999 pounds of milk during May. This size category lost 1,275 farms since May 2003, or 49 percent of the total loss in farms during that time. Overall, 84 percent of the farms pooling on the Northeast Order pooled less than 200,000 pounds during May 2009, slightly less than the 86 percent that did in 2006.

Number of Smallest Farms Steady

On the other end of the spectrum, the number of farms in the smallest size category, under 50,000 pounds a month, has remained steady since 2006, declining just 0.8 percent, or by 24 farms. Due to the overall decline in the number of farms, these smallest farms accounted for 22.3 percent of all farms in May 2009, up from 20.3 percent of all farms in 2006. This group declined by almost 15 percent between 2003 and 2006. It's possible that high milk prices during 2007 and 2008 have altered profitability of these smallest operations in a way that slowed their exit from the market during these high milk price years.

The number of farms in a size category may change due to changes in production and/or changes in pooling location. Increases or decreases do not necessarily imply a new farm or a farm going out of business. During any given year, the total number of farms producing greater than 1.5 million pounds a month may change due to the number of days in a month or the seasonality of milk production.❖

Milk by State and Farm Size Under the Northeast Order, May 2003, 2006, and 2009

	Total Pooled		Farms Marketing 1.5 Million Pounds or More					
	2009		2009		2006		2003	
State/Area	Number of Farms	Million Pounds	Number of Farms	Million Pounds	Number of Farms	Million Pounds	Number of Farms	Million Pounds
NY	4,919	913	92	237	70	170	60	140
PA	5,768	736	27	55	15	29	8	18
VT	1,017	215	20	41	18	37	13	25
Other New England[1/]	752	127	6	13	4	9	3	6
Other Inside Area[2/]	721	113	3	7	4	9	4	9
Other Outside Area[3/]	126	17	1	5	0	0	0	0
Total	13,303	2,121	149	358	111	254	88	198

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

Farm by Size Under the Northeast Order, May 2006 and 2009

	May 2009		May 2006		Change in	
Farm Size by Pounds	Number of Farms	Percent of Farms	Number of Farms	Percent of Farms	Number of Farms	Percent Change
0 – 49,999	2,973	22.3	2,997	21.3	(24)	(0.8)
50,000 – 99,999	4,805	36.1	5,239	37.2	(434)	(8.3)
100,000 – 199,999	3,431	25.8	3,765	26.8	(334)	(8.9)
200,000 – 499,999	1,425	10.7	1,481	10.5	(56)	(3.8)
500,000 – 749-999	256	1.9	245	1.7	11	4.5
750,000 – 1,499,999	264	2.0	230	1.6	34	14.8
1,500,000 and up	149	1.1	111	0.8	38	34.2
Total	13,303		14,068		(765)	(5.4)

Milk Production Up Slightly

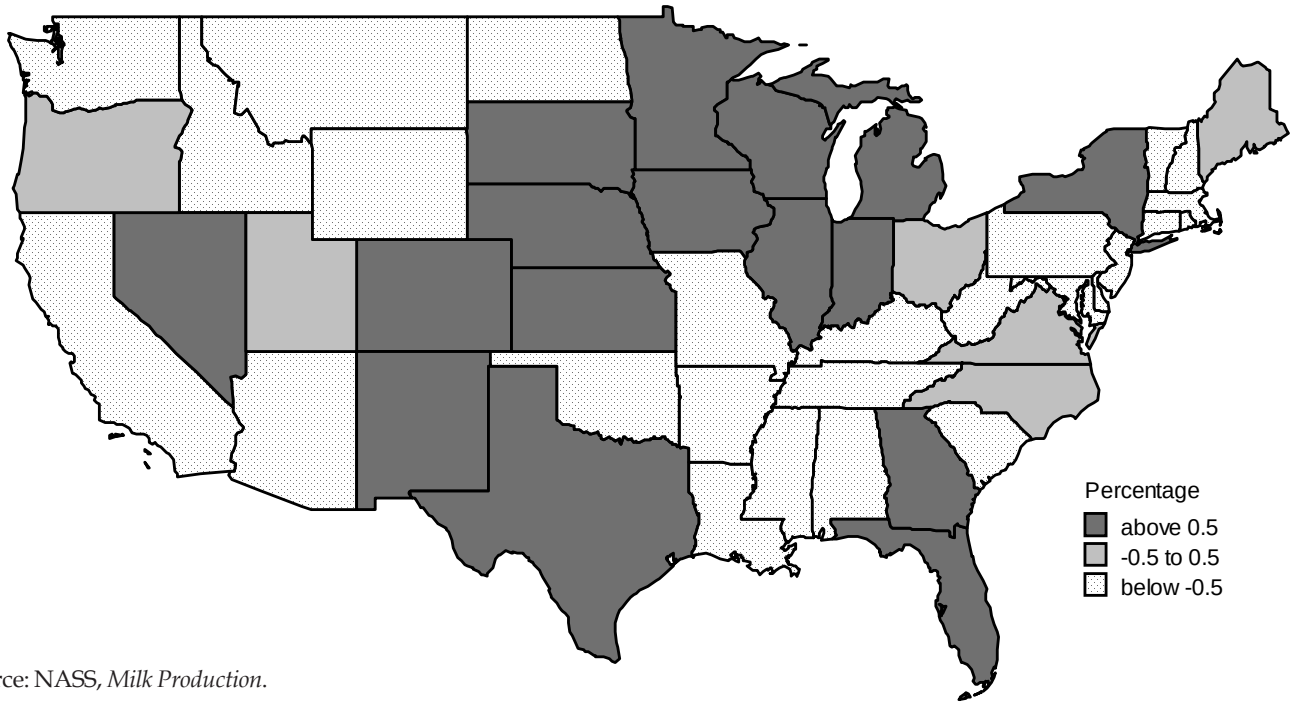
For the first six months of 2009, milk production in the United States was up 0.3 percent from the same period in 2008 when adjusted for leap year. The actual volume was down 195 million pounds. The accompanying map shows year-to-year changes from 2008 to 2009 for the January–June period.

The top ten milk producing states showed an increase of 0.4 percent when adjusted for leap year. Only four of these states had declines: California, Idaho, Pennsylvania, and Washington. Of the remaining 40 states, 27 had decreases for the first six months. Within the top ten, Texas had the largest gain (8.3 percent) and surpassed Minnesota for the number six spot.

In the Northeast, all of the New England states have shown declines in milk production. Other states contributing to the Northeast Order milkshed such as Delaware, Maryland, New Jersey, Pennsylvania, and West Virginia also showed decreases. Only New York and Virginia reported increases of 0.7 and 0.3 percent, respectively.

Milk prices have been on the decline for almost a year now, which historically has signaled to producers to curb production. The nature of dairying tends to result in a slow response to price signals as an industry and, as such, the extra output can have a depressing effect on prices. The economic recession has reduced the demand for dairy products in both retail and wholesale outlets, such as restaurants. This, combined with the substitution of less expensive dairy products, has resulted in a surplus of milk reflected in the lower prices, only to be further depressed by the additional milk production.❖

U.S. Milk Production, Year to Year Percent Change, January–June, 2008–2009



Source: NASS, *Milk Production*.

Support Prices *(continued from page 1)*

Prices on the CME responded to the announced change almost immediately, jumping from $1.19 per pound on July 30 to $1.26 on July 31 and then to $1.29 by August 7. Blocks rose from $1.2250 per pound on July 30 to $1.2850 on July 31 and to $1.3100 by August 7. Grade A nonfat dry milk averaged $0.8940 per pound for the week ending July 31; it rose to $0.9520 for the week ending August 7. During that week, Commodity Credit Corporation (CCC) purchases at the new support price of $0.92 per pound totaled 892,394 pounds, but due to cancellations of previously offered NFDM (at the lower price) a net negative volume resulted.

Prices on the NASS survey, which are used in setting federal milk marketing order prices and lag behind the CME prices because of the different days used in calculating sales, reported blocks at $1.1200 and barrels at $1.1254 per pound for the week ending July 25. For the week ending August 1, blocks had risen slightly to $1.1318 and barrels to $1.1602 per pound, but these sales were prior to the increase announcement. For the week ending August 8, blocks jumped to $1.1810 and barrels to $1.2067 per pound. NASS nonfat dry milk prices averaged $0.8499 on July 25, declined slightly to $0.8420 by August 1, and then rose to $0.8715 for the week ending August 8.❖

USDA
MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

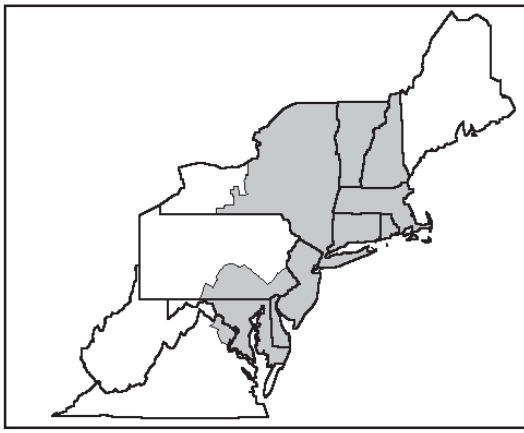
PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	815,939,061	$9.28	75,719,144.86	
Butterfat	15,727,112	1.3007	20,456,254.58	
Less: Location Adjustment to Handlers			(2,680,703.23)	$93,494,696.18
Class II— Butterfat	31,311,107	1.2508	39,163,932.61	
Nonfat Solids	36,654,381	0.7478	27,410,146.15	66,574,078.76
Class III— Butterfat	17,940,699	1.2438	22,314,641.45	
Protein	14,986,036	1.6970	25,431,303.12	
Other Solids	28,479,665	0.0949	2,702,720.20	50,448,664.77
Class IV— Butterfat	8,654,988	1.2438	10,765,074.08	
Nonfat Solids	23,439,595	0.6677	15,650,617.57	26,415,691.65
Total Classified Value				**$236,933,131.36**
Add: Overage—All Classes				29,601.83
Inventory Reclassification—All Classes				47,486.86
Other Source Receipts	150,194 Pounds			4,824.21
Total Pool Value				**$237,015,044.26**
Less: Producer Component Valuations @ Class III Component Prices				(205,829,831.15)
Total PPD Value Before Adjustments				**$31,185,213.11**
Add: Location Adjustment to Producers				10,069,565.25
One-half Unobligated Balance—Producer Settlement Fund				946,763.61
Less: Producer Settlement Fund—Reserve				(987,712.68)
Total Pool Milk & PPD Value	2,040,288,574 Producer pounds			**$41,213,829.29**
Producer Price Differential		**$2.02**		
Statistical Uniform Price		**$11.99**		

* 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 2009 Federal Order No. 1

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

August Pool Price Calculation

The August 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.35 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 $12.45 per hundredweight. The August statistical uniform price was 36 cents per hundredweight above July's price. The August producer price differential (PPD) at Suffolk County was $1.15 per hundredweight, a decrease of 87 cents per hundredweight from last month.

During August, all commodity prices rose. Effective August 1 through October 31, prices for nonfat dry milk and cheese prices purchased through the Dairy Product Price Support Program were increased. As a result, prices reported on the NASS survey rose in response, although not reaching the support price until later in the month. With commodity prices increasing, component prices rose resulting in higher prices for Classes III and IV; Classes I and II have components announced in advance using prior month's data. Class III had the larger gain, rising $1.23 per hundredweight from July. The higher proportion of pooled milk utilized in the two highest-priced classes (I and III), and a much lower proportion of Class IV, resulted in an overall higher uniform price than last month. The lower PPD was the result of the tightening of the spread between the class prices, primarily I and III.❖

Commodity Prices

On July 31, 2009, Agriculture Secretary Vilsack announced an increase in the amount paid for dairy products through the Dairy Product Price Support Program. The increase will be in effect from August through October 2009. The temporary increase raised the purchase prices for nonfat dry milk (NFDM) from $0.80 to $0.92 per pound, cheddar blocks from $1.13 to $1.31 per pound, and cheddar barrels from $1.10 to $1.28 per pound.

The charts on page 3 show National Agricultural Statistics Service (NASS) and Chicago Mercantile Exchange (CME) Block Cheddar and nonfat dry milk prices for 2009 compared to the support prices. For the

(continued on page 3)

Pool Summary

- A total of 13,353 producers were pooled under the Order with an average daily delivery per producer of 4,680 pounds.
- Pooled milk receipts totaled 1.937 billion pounds, a decrease of 5.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.6 percent of total milk receipts, an increase of 1.8 percentage points from July.
- 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 5.67 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.6	824,391,844
Class II	22.6	437,019,538
Class III	25.0	485,344,861
Class IV	9.8	190,589,579
Total Pooled Milk		1,937,345,822

Producer Component Prices

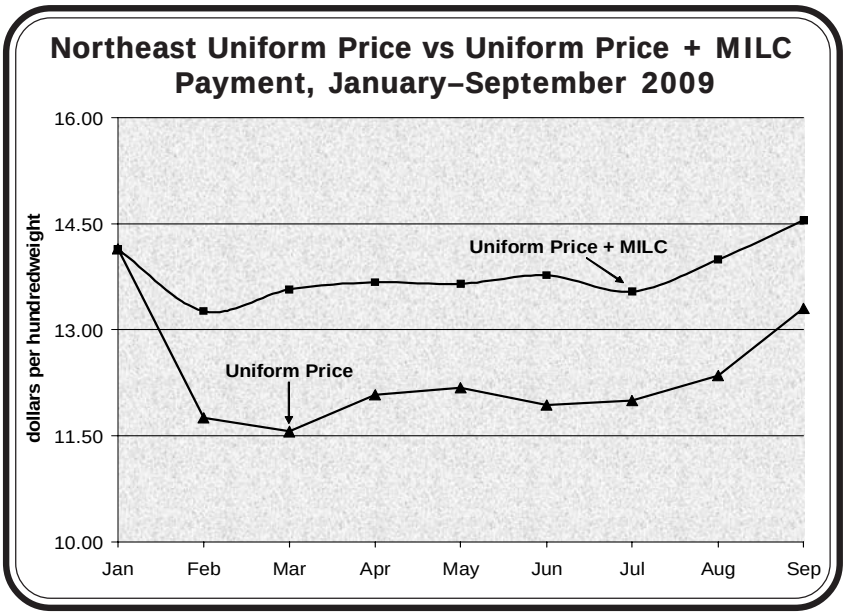
	2009	2008
	$/lb	
Protein Price	2.1009	3.6497
Butterfat Price	1.2491	1.7413
Other Solids Price	0.0962	0.0529

Class Price Factors

	2009	2008
	$/cwt	
Class I	13.29	21.72
Class II	10.86	17.45
Class III	11.20	17.32
Class IV	10.38	16.64

MILC and Price Outlook

The Northeast uniform price was under $12.50 per hundredweight for the seventh month in a row in August. September will be the eighth month in a row in which a Milk Income Loss Contract (MILC) payment will be made. Using Chicago Mercantile Exchange (CME) futures prices for the remainder of the year, the uniform price likely will average about $12.87 per hundredweight for the year. Including MILC payments, producers are projected to average $14.08 per hundredweight (not including premiums and adjustments for components) for their milk in 2009.



Dairy product support prices have been increased temporarily through October (see article on page 1). The impact of the change will be felt in the September class prices and uniform price. Currently, the NASS Cheddar cheese block price is above the support price.

Feed prices have declined to a degree that current projections show no additional value will be added to the MILC payment from the feed cost adjustor for at least the remainder of this year and the first six months of 2010. MILC payments are projected to decline through January 2010, after which time no MILC payment is projected. The average uniform price at Boston, MA, projects to average $15.28 per hundredweight for the first half of 2010, based on CME futures prices.

The implication of declining MILC payments and lack of feed cost adjustor value is that milk price recovery is expected, though modest, in 2010 as well as somewhat lower feed costs. Some price recovery may occur as milk production is expected to contract in 2010. Milk production in 2009 is projected to decline to 187.7 billion pounds and to 186.8 billion pounds in 2010 as herd contraction outpaces output per cow increases. On the demand side, weakness in domestic demand and a large decline in exports have played a major role in low milk prices. Milk equivalent exports on a milkfat basis totaled 8.8 billion pounds in 2008; the projected total for 2009 is 3.7 billion pounds. USDA forecasts for 2010 exports are 3.8 billion pounds. If the U.S. economic recovery is slow, the lack of increased exports in 2010 will limit expectations for large improvements in prices to producers.❖

Actual and Estimated Milk and Feed Prices, January–September 2009

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Feed Prices, Actual & Estimated	dollars *(actual prices in bold)*								
Corn (per bushel)	**4.36**	**3.87**	**3.86**	**3.85**	**3.97**	**4.03**	**3.60**	*3.31*	3.14
Soybean (per bushel)	**9.97**	**9.55**	**9.12**	**9.79**	**10.70**	**11.40**	**10.80**	*10.70*	9.84
Alfalfa hay (per ton)	**149**	**143**	**137**	**133**	**138**	**128**	**120**	*111*	115
Feed-adjusted MILC Trigger Price ($/cwt)	**17.98**	**17.33**	**17.14**	**17.14**	**17.48**	**17.42**	**16.94**	16.94	16.94
Milk Price, Actual & Estimated	dollars per hundredweight *(actual prices in bold)*								
Class I	**18.99**	**13.97**	**12.68**	**13.61**	**14.22**	**13.33**	**13.51**	**13.29**	**14.18**
Uniform Price (*at Suffolk Co., MA*)	**14.14**	**11.75**	**11.56**	**12.08**	**12.18**	**11.93**	**11.99**	**12.35**	13.30
PPD	**3.36**	**2.44**	**1.12**	**1.30**	**2.34**	**1.96**	**2.02**	**1.15**	1.26
Value Added from Feed Adjustor*	**0.00**	**0.18**	**0.09**	**0.09**	**0.24**	**0.22**	**0.00**	0.00	0.00
Total MILC Payment	**0.00**	**1.51**	**2.01**	**1.59**	**1.47**	**1.84**	**1.54**	1.64	1.24
Uniform Price + MILC	**14.14**	**13.26**	**13.57**	**13.67**	**13.65**	**13.77**	**13.54**	13.99	14.55
Class II	**10.41**	**10.25**	**10.36**	**10.49**	**10.71**	**10.79**	**10.87**	**10.86**	11.76
Class III	**10.78**	**9.31**	**10.44**	**10.78**	**9.84**	**9.97**	**9.97**	**11.20**	12.04
Class IV	**9.59**	**9.45**	**9.64**	**9.82**	**10.14**	**10.22**	**10.15**	**10.38**	11.06

Note: September Corn & soybean prices and Class prices based on CBOT prices as settled on September 11, 2009.

Uniform price estimates based on utilizations predicted as of November 2008. All prices are per hundredweight except where indicated otherwise.

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

Milk Movements to Other Orders

Typically around this time of year, late summer and early fall, milk production tapers off and supplies become tight in certain parts of the country. For many years, the Southeast part of the United States (Appalachian–5, Florida–6, and Southeast–7 federal orders) would need additional milk shipments from other federal orders, and based on logistics, the Northeast would help meet these needs.

The accompanying table shows bulk milk shipments and receipts from other federal orders for the month of August during the past 6 years. Shipments of cream, concentrate, and packaged products are not included. As depicted in the table, more milk was shipped to the southeast orders than received during 2004–2007. Most of those shipments were used to meet Class I needs. For the past 2 years, plants regulated by the Northeast Order have received more than has been shipped from the southern orders. Most of the milk received was utilized in Class IV as a balancing function since the southern orders lack manufacturing and drying facilities.

In addition, receipts have outweighed shipments from other nearby orders (primarily the Midwest–30, Central–32, and Midwest–30 federal orders). Changes in shipments do not necessarily reflect less need for milk. Handlers who have producers in multiple orders can switch the order their producers are pooled on to meet varying needs.❖

Milk Movements: Northeast to/from Other Federal Orders, August, 2004–2009

		August					
		2004	2005	2006	2007	2008	2009
		million pounds					
Total*	Shipped	21.3	20.8	32.5	19.6	4.9	4.4
	Received	24.8	21.7	43.9	17.9	17.5	26.3
	Net	**(3.5)**	**(0.9)**	**(11.4)**	**1.7**	**(12.6)**	**(21.9)**
South**	Shipped	20.7	20.0	31.5	17.1	3.8	3.0
	Received	12.2	8.6	18.9	9.9	6.5	13.0
	Net	**8.5**	**11.4**	**12.6**	**7.2**	**(2.7)**	**(10.0)**

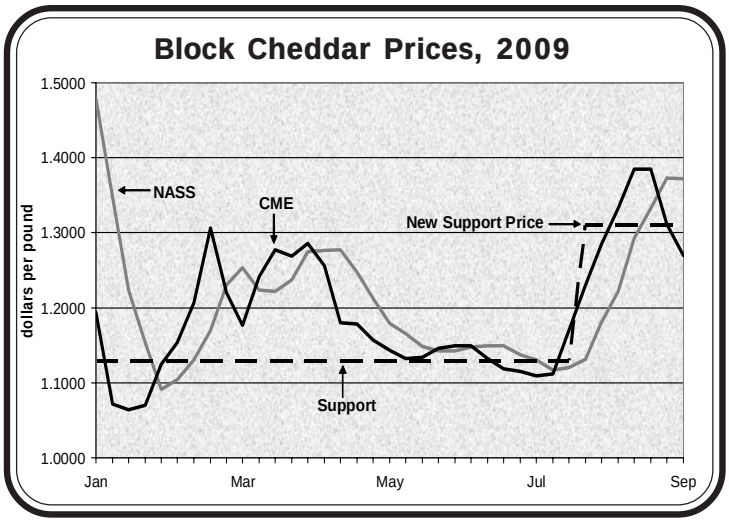
* Includes Order Nos. 5, 6, 7, 30, 32, and 33.
** Includes Order Nos. 5, 6, and 7.

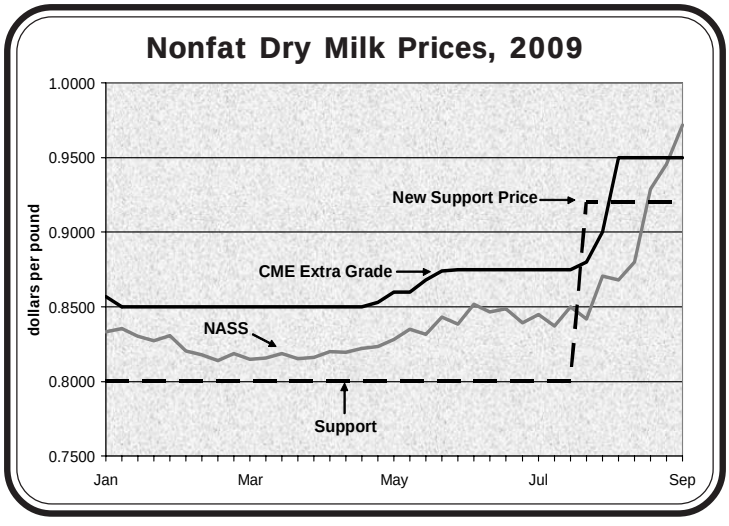
Commodity *(continued from page 1)*

weeks of May 23 through August 1, the weekly average price for NASS Block Cheddar and nonfat dry milk averaged $1.14 and $0.84 per pound, respectively. Pricing was very flat, as neither commodity's price varied from that average by much more than a penny during those 11 weeks. By August 8, both commodities' prices began to increase in response to the policy change. Both commodities' weekly average price exceeded the new support price by the week of August 29.

The August Class II, III, and IV prices included weeks ending August 1, 8, 15, 22, and 29, so reflected some of the extra value that resulted from the increase to the support prices. The September Class I price reflected some benefit from the policy change as the price was established using weeks ending August 8 and August 15. The October Class I price of $15.60 was calculated using commodity prices for weeks ending September 5 and 12. Both Block Cheddar and nonfat dry milk average prices were above the new support levels during those weeks and resulted in a Class I price above $15.00 for the first time since January 2008.

Some softening has occurred in the cheese market since, as the CME Block Cheddar price averaged $1.27 per pound for the week ending September 12, and was still just under the new support price the following week, but prices are significantly higher than before the Secretary's announcement. Nonfat dry milk prices were at, or above, $1.00 per pound the week ending September 19.❖





USDA
MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

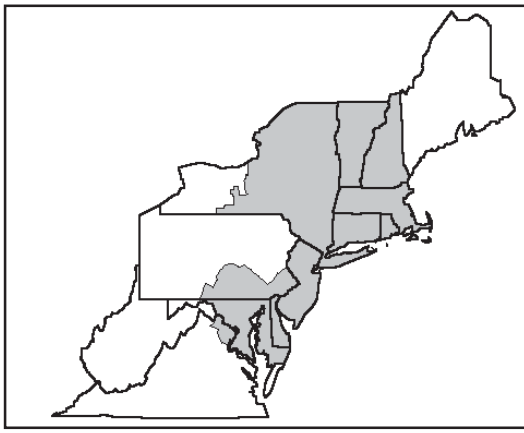
PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	808,610,172	$9.25	74,796,440.91	
Butterfat	15,781,672	1.2474	19,686,057.65	
Less: Location Adjustment to Handlers			(2,631,194.29)	$91,851,304.28
Class II— Butterfat	29,046,144	1.2561	36,484,861.48	
Nonfat Solids	36,597,721	0.7444	27,243,343.56	63,728,205.04
Class III— Butterfat	17,951,606	1.2491	22,423,351.03	
Protein	14,531,147	2.1009	30,528,486.72	
Other Solids	27,495,639	0.0962	2,645,080.47	55,596,918.22
Class IV— Butterfat	7,063,901	1.2491	8,823,518.73	
Nonfat Solids	16,454,187	0.6918	11,383,006.59	20,206,525.32
Total Classified Value				**$231,382,952.86**
Add: Overage—All Classes				238,743.76
Inventory Reclassification—All Classes				72,186.35
Other Source Receipts	380,345 Pounds			7,324.07
Total Pool Value				**$231,701,207.04**
Less: Producer Component Valuations @ Class III Component Prices				(218,977,845.68)
Total PPD Value Before Adjustments				**$12,723,361.36**
Add: Location Adjustment to Producers				9,561,540.72
One-half Unobligated Balance—Producer Settlement Fund				823,676.26
Less: Producer Settlement Fund—Reserve				(824,727.45)
Total Pool Milk & PPD Value	1,937,726,167 Producer pounds			**$22,283,850.89**
Producer Price Differential		**$1.15**		
Statistical Uniform Price		**$12.35**		

* 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 2009 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 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.93 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 $13.32 per hundredweight. The September statistical uniform price was 58 cents per hundredweight above the August price. The September producer price differential (PPD) at Suffolk County was 82 cents per hundredweight, a decrease of 33 cents per hundredweight from last month.

During September, all commodity prices rose except butter. NASS cheese and nonfat dry milk prices responded to the temporary increases in the purchase prices under the Dairy Price Support Program that took effect August 1. Dry whey prices increased slightly. As a result of the increases in cheese and nonfat dry milk, the prices for Classes III and IV both rose. The Class II price was the lowest class price for the month.

The producer protein test averaged 3.07 percent, a new record for the month of September. ❖

Producer-Handler Recommended Decision

On October 21, 2009, the U.S. Department of Agriculture issued a recommended decision to adopt amendments to the producer-handler definition in all Federal milk marketing orders. This decision is based on testimony and evidence given at a public hearing held May 4–19 in Cincinnati, Ohio.

The decision recommends that the producer-handler definitions of all Federal milk marketing orders be amended to limit exemption from pooling and pricing provisions of the orders to those producer-handlers with total route disposition of fluid milk products of 3 million pounds or less per month. The exempt plant definition would continue to limit disposition of Class I milk products to 150,000 pounds or less per month.

Interested persons have until December 21, 2009, to file comments in response to the recommended decision. You may send your comments by using the Federal eRulemaking portal at http://www.regulations.gov.

For additional information about the decision contact the Northeast Order office or go to www.fmmone.com for a link to USDA's National Producer-Handler Proceeding website.❖

Pool Summary

- A total of 13,264 producers were pooled under the Order with an average daily delivery per producer of 4,626 pounds.
- Pooled milk receipts totaled 1.841 billion pounds, a decrease of 1.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 46.7 percent of total milk receipts, an increase of 4.1 percentage points from August.
- The average butterfat test of producer receipts was 3.68 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.66 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	46.7	858,904,456
Class II	22.5	414,387,731
Class III	23.2	427,722,892
Class IV	7.6	140,330,142
Total Pooled Milk		1,841,345,221

Producer Component Prices

	2009	2008
	$/lb	
Protein Price	2.4243	3.2689
Butterfat Price	1.2226	1.8196
Other Solids Price	0.1018	0.0234

Class Price Factors

	2009	2008
	$/cwt	
Class I	14.18	20.90
Class II	11.01	17.58
Class III	12.11	16.28
Class IV	11.15	15.45

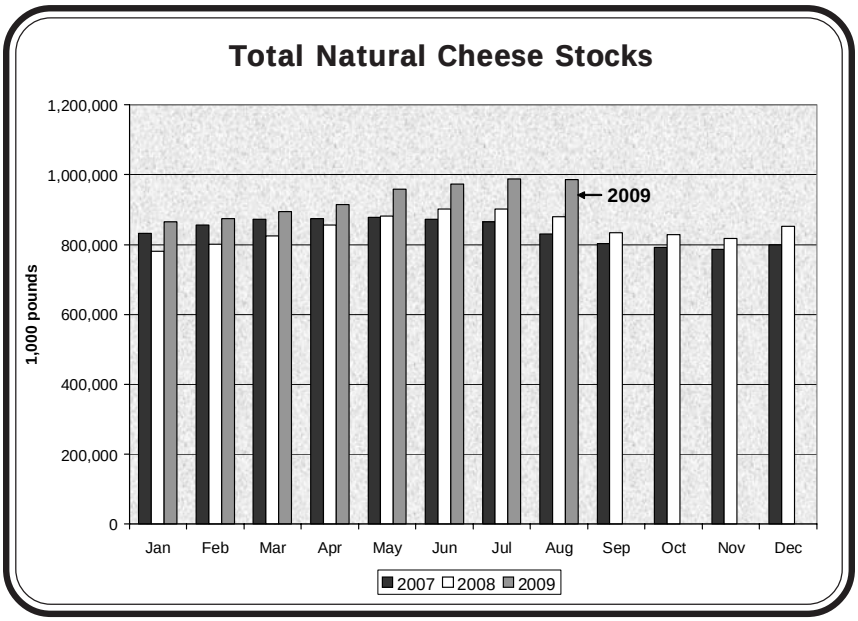
Large Stocks Could Hinder Price Recovery

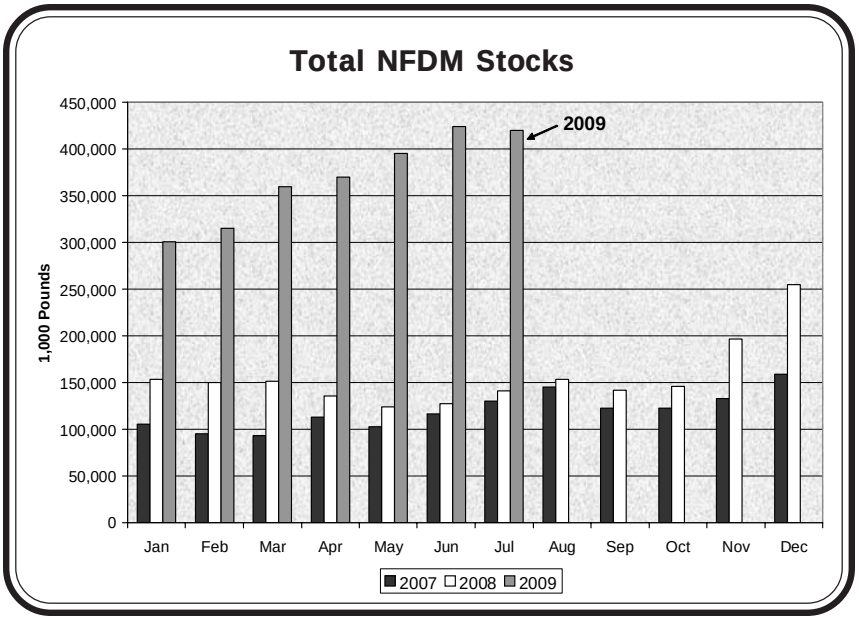
Total stocks of dairy products on a total milk equivalent, milkfat basis reached 14.5 billion pounds in July 2009, the highest level since August 1993, and over 1 billion pounds more than a year earlier. The accompanying tables show total stocks on a milk equivalent, milkfat basis, total natural cheese stocks, and total nonfat dry milk stocks since January 2007. Total stocks include both commercial and government held stocks.

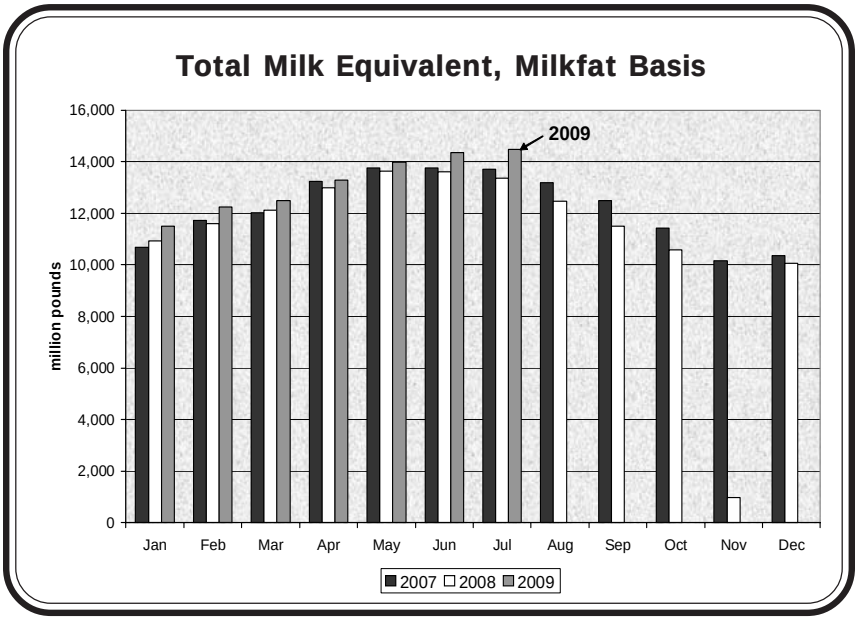
Total natural cheese stocks hit 988 million pounds in July 2009, the highest level since November 1984, and roughly 85 million pounds more than a year earlier. Total nonfat dry milk stocks were 424 million pounds in June 2009, the highest level January 2005, and roughly 300 million pounds higher than a year earlier. Total butter stocks are strong at over 260 million pounds in August 2009. Manufacturers stocks of dry whey for human use are strong at just over 50 million pounds, but are not as high as the previous two years.

Impact on Price

As prices for milk and dairy products are expected to rise heading into 2010, the recent build-up of large stocks of dairy products could tend to dampen or delay more substantial increases in the milk price. Improved demand and a contraction in milk production will help reduce stocks, but the price response from a more favorable supply and demand balance may be delayed as stocks are used down.❖







CCC Purchases Highest in 5 Years

During Marketing Year October 01, 2008, through September 30, 2009 (MY'09) the Commodity Credit Corporation (CCC) purchased 276,156,841 pounds of nonfortified nonfat dry milk and 4,639,010 pounds of butter. These were the first purchases since MY'06 and the largest total on a milk equivalent basis since MY '04. Table 1 shows CCC purchases from 1989 to 2009 in actual pounds purchased and on a milk equivalent basis (see calculation in Table 2). Even though purchases are higher than in many years, the 2009 total is considerably lower than totals during the early 1990's and 2000's.

The CCC began buying nonfat dry milk during the first week of October 2008 and purchases occurred nearly every week during the MY'09; prior to that, the last purchases were in July 2006. Butter purchases occurred during the second week of January 2009 through the last week of February; previously, the last butter purchased

(continued on page 3)

CCC Purchases *(continued from page 2)*

was in June 2003. There have been no purchases of cheese since MY'03 with the last cheese purchased in July 2003. The MY ended with no uncommitted inventories. Uncommitted inventories are stocks owned by the CCC that have not been sold, donated, or, in any way, committed for use. The last inventories were reported at the end of MY 2004 when 609 million pounds of nonfat dry milk were held.

As previously reported (see the *Bulletin* of July and August 2009), the CCC purchase prices for cheese and nonfat dry milk were increased temporarily from August 1 through October 30, 2009. Since this action, and as of October 16, 2009, there were purchases of nonfat during only 2 weeks with cancellations of previously purchased sales occurring in 4 weeks, resulting in a net decrease overall. (Sometimes sales to the CCC are cancelled by sellers when prices on the commercial market increase.) No butter or cheese was purchased during this time.❖

Chart 1

CCC Purchases of Dairy Products Under the Support Program, 1989–2009*

MY** Ending	Butter	Cheese	NFDM	Milk Equivalent Total
		(million pounds)		
1989	423.0	24.0	0.0	3950.2
1990	387.0	22.0	128.0	4519.6
1991	442.8	122.0	271.0	6986.5
1992	403.5	56.3	9.4	4156.2
1993	327.6	4.9	18.0	3,055.2
1994	168.6	0.0	50.8	1,841.1
1995	26.4	0.0	24.6	406.2
1996	0.0	0.0	0.0	0.0
1997	0.0	1.9	31.9	244.1
1998	0.0	0.0	121.3	857.6
1999	0.0	0.0	186.1	1,315.9
2000	0.0	6.9	490.0	3,532.1
2001	0.0	1.1	398.9	2,927.7
2002	0.0	7.4	653.2	4,690.0
2003	11.4	41.1	624.6	4,913.5
2004	0.0 #	0.0	361.9	2,558.7
2005	0.0	0.0	31.8	225.0
2006	0.0	0.0	64.0	452.6
2007	0.0	0.0	0.0	0.0
2008	0.0	0.0	0.0	0.0
2009	4.6	0.0	276.2	1,993.8

* Does not include purchases under Dairy Export Incentive Program.
** Marketing year; October 1 through September 30.
\# Negative value less than 50,000 pounds (sellbacks were greater than purchases).
Sources: Commodity Credit Corporation; *Dairy Market News*.

Chart 2

Milk Equivalent Calculation

Milk Equivalent Calculation

Milk Equivalent (ME) = .40 X Fat Value (FV) + .60 X Skim Value (SV)

FV = (Butter lbs. X 21.8) + (Cheese lbs. X 9.23) + (NFDM lbs. X .22)

SV = (Butter lbs. X .12) + (Cheese lbs. X 9.9) + (NFDM lbs. X 11.64)

ME = (.40 X FV) + (.60 X SV)

2009 Example:

Butter = 4.639 mil lbs. NFDM = 276.157 mil lbs.

FV = (4.639 X 21.8) + (0 X 9.23) + (276.157 X .22) = 161.885

SV = (4.639 X .12) + (0 X 9.9) + (276.157 X 11.64) = 3215.02

ME = (.40 X 161.885) + (.60 X 3215.02) = 1,993.766

Pool Summary for All Federal Orders, January–September, 2008–2009

Federal Order Number	Federal Order Name	Total Producer Milk 2008	Total Producer Milk 2009	Change~	Producer Price Differential# 2008	Producer Price Differential# 2009	Statistical Uniform Price#* 2008	Statistical Uniform Price#* 2009
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**18,115,940,425**	**17,891,927,798**	**(0.9)**	**1.38**	**1.83**	**19.32**	**12.32**
5	Appalachian	4,374,224,696	4,468,272,092	2.5	N/A	N/A	20.59	13.34
6	Florida	2,360,941,969	2,274,335,206	(3.3)	N/A	N/A	22.43	15.49
7	Southeast	5,191,794,824	5,427,178,385	4.9	N/A	N/A	20.79	13.55
30	Upper Midwest	20,922,092,230	24,312,436,688	16.6	0.25	0.32	18.18	10.81
32	Central	8,634,131,331	9,825,156,156	14.2	0.17	0.58	18.10	11.07
33	Mideast	11,994,732,510	12,560,919,834	5.1	0.61	0.95	18.54	11.44
124	Pacific Northwest	5,332,283,990	5,565,031,812	4.7	(0.30)	0.55	17.63	11.04
126	Southwest	7,571,118,510	8,539,652,244	13.2	0.99	1.60	18.92	12.08
131	Arizona	3,130,079,422	3,070,279,418	(1.6)	N/A	N/A	18.13	11.33
	All Market Total/Average	87,627,339,907	93,935,189,633	7.6	0.52	0.97	19.26	12.25

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

USDA
MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

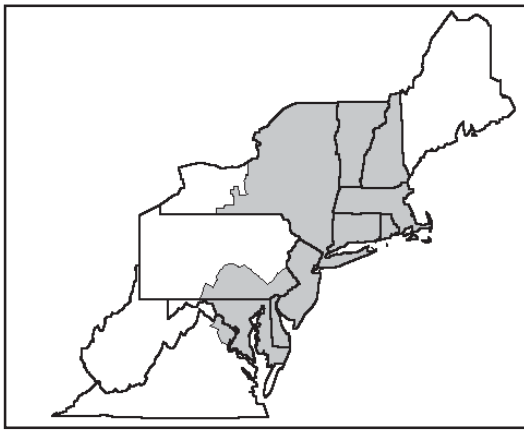
PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	842,794,942	$9.99	84,195,214.71	
Butterfat	16,109,514	1.2971	20,895,650.61	
Less: Location Adjustment to Handlers			(2,805,252.95)	$102,285,612.37
Class II— Butterfat	27,964,366	1.2296	34,384,984.42	
Nonfat Solids	35,016,414	0.7722	27,039,674.91	61,424,659.33
Class III– Butterfat	16,353,224	1.2226	19,993,451.66	
Protein	13,146,459	2.4243	31,870,960.55	
Other Solids	24,186,938	0.1018	2,462,230.30	54,326,642.51
Class IV– Butterfat	7,251,244	1.2226	8,865,370.93	
Nonfat Solids	12,057,662	0.7906	9,532,787.58	18,398,158.51
Total Classified Value				**$236,435,072.72**
Add: Overage—All Classes				72,171.81
Inventory Reclassification—All Classes				102,161.15
Other Source Receipts	103,487 Pounds			1,731.59
Total Pool Value				**$236,611,137.27**
Less: Producer Component Valuations @ Class III Component Prices				(230,235,773.14)
Total PPD Value Before Adjustments				**$6,375,364.13**
Add: Location Adjustment to Producers				8,951,605.85
One-half Unobligated Balance—Producer Settlement Fund				635,945.40
Less: Producer Settlement Fund—Reserve				(863,036.00)
Total Pool Milk & PPD Value	1,841,448,708 Producer pounds			**$15,099,879.38**
Producer Price Differential		**$0.82**		
Statistical Uniform Price		**$12.93**		

* 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 2009 Federal Order No. 1

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

October Pool Price Calculation

The October 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.06 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 $14.82 per hundredweight. The October statistical uniform price was $1.13 per hundredweight above the September price. The October producer price differential (PPD) at Suffolk County was $1.24 per hundredweight, an increase of 42 cents per hundredweight from last month.

During October, all commodity prices rose resulting in higher component and class prices. The Class I price (announced in advance) increased $1.42 per hundredweight, the Class II price rose 92 cents, and the Class III and IV prices both were up 71 cents per hundredweight. With the Class I utilization up and the Class IV utilization down, the corresponding prices for these classes resulted in a higher PPD. The Class IV price was the lowest class price for the month.

The producer protein test averaged 3.15 percent, a new record for the month of October. The producer butterfat test averaged 3.79 percent and tied with 2008 as the highest for the month of October since the Order's inception.❖

Temporary CCC Increase Over, but Market Prices Remain High

On July 31, 2009, Agriculture Secretary Vilsack announced an increase in the amount paid for dairy products through the Dairy Product Price Support Program operated by the Commodity Credit Corporation (CCC). The increase was in effect from August 1 through October 31, 2009.

The temporary increase raised the price for nonfat dry milk (NFDM) from $0.80 to $0.92 per pound, the price for Cheddar blocks from $1.13 to $1.31 per pound, and the price of Cheddar barrels from $1.10 to $1.28 per pound. As of November 1, the CCC purchase prices reverted back to their previous levels. The support price for butter was not changed, remaining at $1.05 per pound.

(continued on page 3)

Pool Summary

- A total of 13,272 producers were pooled under the Order with an average daily delivery per producer of 4,558 pounds.
- Pooled milk receipts totaled 1.875 billion pounds, a decrease of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 48.9 percent of total milk receipts, an increase of 2.2 percentage points from September.
- The average butterfat test of producer receipts was 3.79 percent.
- The average true protein test of producer receipts was 3.15 percent.
- The average other solids test of producer receipts was 5.67 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	48.9	917,479,953
Class II	21.7	406,631,642
Class III	22.5	421,003,154
Class IV	6.9	130,216,373
Total Pooled Milk		1,875,331,122

Producer Component Prices

	2009	2008
	$/lb	
Protein Price	2.5584	3.5490
Butterfat Price	1.2752	1.8507
Other Solids Price	0.1228	(0.0047)

Class Price Factors

	2009	2008
	$/cwt	
Class I	15.60	18.78
Class II	11.93	16.60
Class III	12.82	17.06
Class IV	11.86	13.62

Mailbox Price—What Does It Mean?

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

Table 1:

Average PPD by Mailbox Region, July 2008 and June 2009

Region	Jul '08	Jun '09
	$/cwt	
All Northeast	1.83	1.52
New England	1.99	1.85
New York	1.64	1.29
Pennsylvania	1.98	1.60
Actual PPD at Boston, MA	**2.37**	**1.96**

Table 2:

Percent of Milk Produced that was Received by Differential Zone, July 2008 and June 2009

Differential Zone Range	Vermont		New York		Pennsylvania	
	Jul '08	Jun '09	Jul '08	Jun '09	Jul '08	Jun '09
	percent					
>$2.95	43.3	49.6	16.1	21.0	33.6	34.4
$2.55 – $2.95	25.8	28.7	9.3	12.0	61.6	61.0
<$2.55	30.9	21.7	74.6	67.0	4.9	4.6

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. The three regions have different characteristics with respect to how and where the milk is marketed and the costs involved that can impact the mailbox price. Of the three major regions within the Northeast Marketing Area, the average mailbox price for New England tends to be the highest, followed by Pennsylvania and then New York. For the period January through August 2009, the average mailbox price was $12.75 per hundredweight in New England, $12.27 in Pennsylvania, and $12.00 in New York.

Table 3:

Northeast Order Regions Average Hauling Cost, 2009

	New England	NY	PA
	$/cwt		
Jan	0.64	0.63	0.79
Feb	0.64	0.65	0.78
Mar	0.63	0.64	0.76
Apr	0.63	0.63	0.77
May	0.63	0.63	0.77
Jun	0.64	0.64	0.78
Jul	0.63	0.63	0.76
Aug	0.64	0.64	0.76
Average	0.64	0.64	0.77

Gross Value Portion

The gross value makes up the largest portion of the mailbox price, and differences in the gross value account for a majority of the difference that exists between regions. The gross value portion of the mailbox price includes the value of producer milk components and the PPD. It does not include any premiums. Since the PPD is part of the gross value, differences in where a region's producers' milk is shipped impacts the gross value, and in turn, the mailbox price. PPDs in the Northeast are higher along the metropolitan areas closer to the coast, and are lower further inland. Table 1 shows the average PPD received by producers in each of the three regions for the months of July 2008 and June 2009 (a high and low price month). New England producers received the highest PPD in both months; New York producers received the lowest.

Table 2 shows what percent of producers' milk in a region went to selected differential zones. Daily delivery data, which indicate the pickup and final destination of farm milk, collected by the market administrator for both periods, was used to show into which differential zone milk from each region ends up. The data show that over two-thirds of the milk produced in New York is marketed to plants in the central, western and northern part of the state where a lower PPD is received. In Pennsylvania, almost two-thirds of the milk produced is marketed to plants in the southeastern part of the state and much of the rest to plants in New Jersey and the New York City metro area, where PPDs are among the highest. Data for Vermont was used as representative of New England. In Vermont, a much larger portion of the milk is marketed to plants in metropolitan areas that return some of the highest PPDs in the order. When accounting for producers in other New England states, the portion marketed in metropolitan areas is likely even higher.

(continued on page 3)

Table 4:

Northeast Order Regions Average Premiums, 2009

	New England	NY	PA
	$/cwt		
Jan	1.02	0.88	0.89
Feb	1.01	0.92	0.88
Mar	1.01	0.91	0.92
Apr	0.98	0.87	0.89
May	0.94	0.85	0.87
Jun	0.91	0.84	0.84
Jul	0.90	0.84	0.87
Aug	0.91	0.83	0.88
Average	0.96	0.87	0.88

Mailbox *(continued from page 2)*

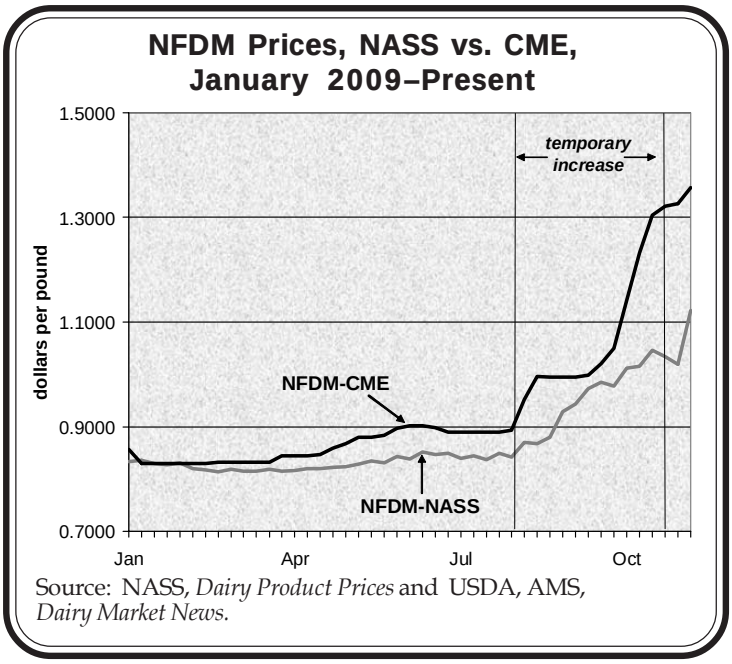
Hauling Cost and Premiums

Average hauling costs and premiums per hundredweight are depicted in Tables 3 and 4. The value for hauling includes the hauling cost and stop charges. New England and New York show similar hauling costs pre hundredweight while Pennsylvania averaged 13 cents higher during the period shown. Premiums however, averaged roughly the same level in New York and Pennsylvania, but averaged 11 cents per hundredweight higher in New England. These differences also could be attributable to where and what type of plant the milk is marketed to, the premium structure, state mandated premium programs, and the competition in the marketplace.❖

Temporary CCC Increase Over *(continued from page 1)*

Prices Rise

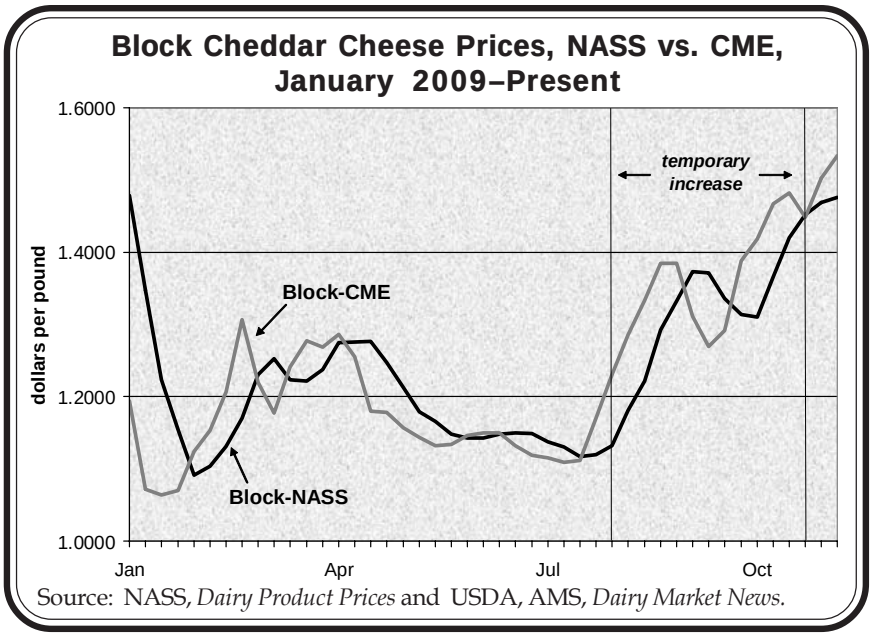
Prices of dairy products traded on the Chicago Mercantile Exchange (CME) responded to the initial announcement of higher CCC purchase prices almost immediately. The accompanying charts show prices for block Cheddar cheese and NFDM on the CME and National Agricultural Statistics Service (NASS) price survey from January though November 7. Block prices were $1.2850 per pound on July 31; they continued to rise throughout August, averaging $1.3850 on August 21 before declining for a few weeks, and then ascending again from mid-September to the most recent week reported where they averaged $1.5335 per pound. NASS block prices followed a similar pattern, starting with an average of $1.1318 on August 1 and rising to $1.3730 per pound by September 5. This was about 2 weeks later than the CME, which is the typically expected lag between the CME and NASS prices. NASS blocks declined through the beginning of October, and then started climbing, reaching $1.4756 by the first week of November. This is currently almost 35 cents above the CCC support price.



Source: NASS, *Dairy Product Prices* and USDA, AMS, *Dairy Market News.*

CME barrel prices lagged slightly behind blocks and peaked a little lower, but overall, rose from $1.2600 per pound on July 31 to an average of $1.5035 by November 7. NASS barrel prices were $1.1602 on August 1, hit $1.3794 by September 5, declined 2 weeks, and then rose to $1.5029 by November 7—40 cents higher than the current support price.

CME Grade A nonfat dry milk averaged $0.8940 per pound for the week ending July 31; by November 6, prices had risen to $1.3570 per pound. NASS NFDM prices started at $0.8420, rose to $1.0460 by October 17, declined to $1.0193 by October 31, but then jumped to $1.1215 by November 7. This is 32 cents above the current support price.



Source: NASS, *Dairy Product Prices* and USDA, AMS, *Dairy Market News.*

During the 3 months of the temporary price increase, CCC purchases of NFDM totaled 3.4 million pounds, but cancellations totaled nearly 4 million pounds resulting in a net decrease of over 500,000 pounds. Cancellations occur when sellers who previously had agreed to sell to the CCC choose to sell on the commercial market.

Market Response

The average uniform price in the Northeast Order was over $13.00 per hundredweight during the 3-month period. For the prior 6 months, it averaged less than $12.00 per hundredweight. The temporary support price increase appears to have impacted the commodity prices that are used in the calculation of producers' end pay prices. The fact that commodity prices rose well above support levels, and have remained higher since the temporary support levels expired, would indicate that other market forces may have played a role.❖

USDA
MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

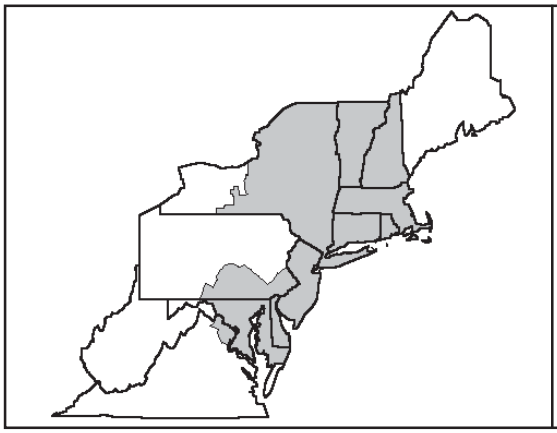
PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	900,092,816	$11.68	105,130,840.91	
Butterfat	17,387,137	1.2366	21,500,933.61	
Less: Location Adjustment to Handlers			(2,966,673.36)	$123,665,101.19
Class II— Butterfat	29,324,220	1.2822	37,599,514.87	
Nonfat Solids	34,593,996	0.8567	29,636,676.34	67,236,191.21
Class III— Butterfat	16,658,218	1.2752	21,242,559.57	
Protein	13,273,543	2.5584	33,959,032.41	
Other Solids	23,825,289	0.1228	2,925,745.50	58,127,337.48
Class IV— Butterfat	7,739,572	1.2752	9,869,502.20	
Nonfat Solids	11,211,466	0.8506	9,536,473.02	19,405,975.22
Total Classified Value				**$268,434,605.10**
Add: Overage—All Classes				52,659.63
Inventory Reclassification—All Classes				232,758.21
Other Source Receipts	274,087 Pounds			7,206.12
Total Pool Value				**$268,727,229.06**
Less: Producer Component Valuations @ Class III Component Prices				(254,707,288.72)
Total PPD Value Before Adjustments				**$14,019,940.34**
Add: Location Adjustment to Producers				9,088,176.61
One-half Unobligated Balance—Producer Settlement Fund				950,849.79
Less: Producer Settlement Fund—Reserve				(801,462.24)
Total Pool Milk & PPD Value	1,875,605,209 Producer pounds			**$23,257,504.50**
Producer Price Differential		**$1.24**		
Statistical Uniform Price		**$14.06**		

* 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 2009 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

November Pool Price Calculation

The November 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $15.02 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 $15.81 per hundredweight. The November statistical uniform price was $0.96 per hundredweight above the October price. The November producer price differential (PPD) at Suffolk County was $0.94 per hundredweight, a decrease of 30 cents per hundredweight from last month.

During November, all commodity prices rose again resulting in higher component and class prices. The Class I price (announced in advance) increased 51 cents per hundredweight, the Class II price rose $1.31 cents, the Class III increased $1.26, and the Class IV price grew $1.39 per hundredweight. The Class II price was the lowest class price for the month. The increase in class prices resulted in a higher SUP, but the tightening of prices between the classes resulted in a lower PPD.❖

Regional Dairy Outlook Conference Held

The 2009 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 Market Administrator's 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 region representatives include the states of Delaware, Maryland, New England, (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), New Jersey, New York, and Pennsylvania.

Crop Situation

Most of the participants reported that crop yields were up from last year, although not all acreage has been harvested. Wet weather has delayed harvesting and also contributed to slightly poorer quality. New Jersey and Pennsylvania both reported higher yields for corn, soybean, and hay. New York reported slightly less yields of corn and hay while the New England states forecast lower corn yields, but higher hay yields.

Production Estimates

Milk production in the Northeast is expected to finish nearly

(continued on page 3)

Pool Summary

- A total of 13,269 producers were pooled under the Order with an average daily delivery per producer of 4,567 pounds.
- Pooled milk receipts totaled 1.818 billion pounds, an increase of 0.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 46.3 percent of total milk receipts, a decrease of 2.6 percentage points from October.
- 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 5.68 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	46.3	841,647,014
Class II	21.6	392,037,961
Class III	22.9	416,916,729
Class IV	9.2	167,425,696
Total Pooled Milk		1,818,027,400

Producer Component Prices

	2009	2008
	$/lb	
Protein Price	2.6991	3.1301
Butterfat Price	1.4656	1.7730
Other Solids Price	0.1524	(0.0099)

Class Price Factors

	2009	2008
	$/cwt	
Class I	16.11	20.58
Class II	13.24	14.45
Class III	14.08	15.51
Class IV	13.25	12.25

Trends in Utilization

For the first 9 months of 2009, total producer receipts (milk pooled from producers shipping to handlers regulated under the Order) declined by 0.9 percent (adjusted for leap year). Milk prices and production in the United States notably have been up and down in the past few years, and the economy has changed dramatically. This article looks briefly at trends in Northeast Order utilization over the past four years during the first 9 months given this environment and underlying consumer trends.

Class I

In the United States, total sales of fluid milk over the past four decades have generally risen at a slow but steady pace, while per capita sales have declined. Northeast Order data for the first three quarters of 2006 through 2009 show utilization of Class I, though having increased by volume and percent in 2007 (to 44.8 percent), declined by both volume and percent (to 42.3 and 42.4 percent, respectively) the following two years. It's possible that very high fluid milk prices in 2008 resulted in some demand response that has yet to recover. Within the class, whole milk and reduced fat (2%) milk continued to decline as a portion of Class I utilization as lowfat (1 %) and fat-free milk have increased or held their share of the category (see accompanying chart). Sales of flavored milk and drinks have declined since 2006.

Class II

U.S. sales of yogurt have tripled over the past 10 years reaching $4.1 billion in 2009. More than 1,200 new yogurt products were launched since 2005. Some sources project sales to reach $5.1 billion by 2014. In the Northeast Order, Class II utilization has remained steady between 19.0 and 20.1 percent since 2006. Within the category, Yogurt increased by 28.7 percent in 2009 and represents 8.6 percent of Class II sales in the Northeast for the first 9 months. Increased production capacity of specialty yogurts in the Northeast likely has contributed to the increase in sales.

The cottage cheese share of the category, on the other hand, has continued to decline, and is now just 9.7 percent of Class II sales in the Northeast. As far back as 1993, there have been industry wide efforts to reinvigorate cottage cheese sales by promoting the product as versatile and lowfat, but those efforts have yet to spur increased production volumes in the Northeast Order.

Class III

The biggest percent gain in Class III volume is in Swiss cheese, jumping about 36 percent in volume from 2008 to 2009, though still much smaller in volume than Italian and Amerian type cheeses. Swiss cheese accounted for 6.3 percent of Class III sales in the first 9 months 2009, but previously had been steady at about 4.5 percent during the previous three years. According to industry analysts, Swiss and American cheese promotions on McDonald's successful line of Angus burgers, may have contributed to the increased utilization within the category. American cheese volume in 2009 also was higher than the previous three years and was 30.5 percent of Class III Volume.

In contrast, the volume of Italian-type cheeses, the dominant product in the category, declined by 5.5 percent from 2008 to 2009 and represented 48.6 percent of Class III sales. Italian cheeses had accounted for almost 53 percent of Class III volume in 2008.

Class IV

Overall Class IV utilization has showed the most variability over the past 6 years, accounting for between 12.9 percent of milk pooled on the Northeast Order in 2007 and 17.7 percent in 2008. As the category is dominated by dried products in the Northeast, Class IV volume is influenced by industry balancing efforts. Condensed products, which made up about 7 percent of the category in 2006 and 2007, have shrunk to 3.8 percent in 2009.❖

Northeast Order Utilization for Selected Products, January–September, 2006–2009

	Product	2009 Volume* Utilized million lbs	Percent of Class 2006	2007	2008	2009
Class I	Whole	2,126.8	28.7	27.5	25.9	25.2
	Reduced Fat – 2%	1,483.5	18.2	18.6	18.1	17.6
	Lowfat – 1%	1,238.5	13.8	14.0	14.5	14.7
	FatFree	1,077.1	12.4	12.5	12.8	12.8
	Flavored	370.3	4.8	4.7	4.7	4.4
	Total Class I	8,436.1				
Class II	Packaged Cream	759.7	19.4	19.1	19.5	19.5
	Cottage	377.8	12.9	11.5	11.1	9.7
	Ricotta	146.7	4.2	3.7	3.6	3.8
	Sour Cream	151.7	4.5	4.0	4.0	3.9
	Yogurt and Eggnog	333.2	6.6	7.4	6.8	8.6
	Ice Cream, Desserts	1,367.3	34.5	34.1	36.5	35.1
	Total Class II	3,891.4				
Class III	American	1,313.2	31.8	30.8	29.4	30.5
	Italian	2,092.1	51.6	51.2	52.9	48.6
	Swiss	270.9	4.4	4.5	4.8	6.3
	Total Class III	4,307.2				
Class IV	Condensed	123.9	6.6	7.0	5.6	3.8
	Butter	137.1	4.6	5.3	3.6	4.3
	Dried Milk Products	1,987.4	59.1	49.4	52.9	61.7
	Total Class IV	3,219.3				

* Class totals include other categories not shown such as bulk shipments to nonorder plants, inventory, and shrinkage.

2010 Payment Dates to Producers

The calendar below shows the dates for partial payments to producers that are not members of cooperatives. Partial payments are paid to producers for the milk received by pool handlers during the first 15 days of the month and are paid at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. As required by the Order, payment must be made so that a producer receives it no later than the date shown. The table dates vary due to weekends and national holidays.

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, the date that final payments to producers must be received by is printed on the back of the Pool Price Announcement. The final payment is for the remaining milk received and is priced such that the producer should receive an average price for the entire month's milk at roughly the uniform price with adjustments for zone differential, component values, and other deductions relevant to that producer.

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

Required Producer Payments Under the Northeast Order

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

Regional Dairy *(continued from page 2)*

1 percent below for 2009; nationally the drop is about 0.1 percent from 2008. For 2010, total milk production in the Northeast is estimated to decline another 0.5 with all states predicting a decrease except Pennsylvania, which is projecting essentially flat growth from 2009. Nationally, milk production is estimated to drop nearly 1 percent in 2010. Most of the decline in production is the result of less milk cows forecasted. All Northeastern states have seen a decline (combined 1.2 percent) in 2009 due to a combination of dairy farm exits and herd buyouts sponsored by Cooperatives Working Together (CWT). For the U.S. as a whole, cow numbers are down 1.3 percent. The Northeastern states predict another decline, although not as severe (0.8 percent) for 2010. Nationally, cow numbers are projected to drop 2.6 percent. Milk production per cow for 2009 is expected to be unchanged from 2008 and increase 0.6 percent in the Northeast for 2010. US milk per cow should finish 2009 up about 1 percent and grow an additional 1.7 in 2010.

Industry representatives commented that the mid-size farms were the ones most likely to go out of business during a low price period. They tend to expand when prices are high and get caught in the downturn, unable to pay their debt. Smaller, and larger, farms maintain their size and can weather the price changes better.

Price Estimates

Representatives felt that there will be demand growth next year in Asian markets. Domestic use will be flat, but the export market should increase and help prices improve. The group's consensus for the Northeast Order statistical uniform price is an annual average of $12.98 per hundredweight for 2009. For the upcoming year, the group forecasts prices to rise, averaging $17.12 per hundredweight for 2010 (see accompanying table), an increase of over $4.00 per hundredweight.

Milk production during 2008 was up 2.1 percent and for the past 4 years, has averaged a year-over-year increase of 2.7 percent. Production did not start to decline until mid-summer of 2009 and as it tightened, prices began to rebound slowly. If U.S. milk production finishes 2009 below last year, it would be the first decline since 2001. With 2010 expected to finish even lower, milk prices should increase as projected.

Representatives had mixed feelings regarding cheese and nonfat dry milk prices. Some felt cheese prices will rise giving way to the Class III prices as the mover throughout 2010. Others felt powder prices may rise higher at either the beginning or the end of the year and result in a Class IV mover. Negative producer price differentials (PPDs) are not projected at this time at the base zone, but could result in the in the outer zones during 2010. Based on the commodity and futures prices forecasted, PPDs are expected to be range from $1.07 to $1.71 per hundredweight.❖

Northeast Milk Marketing Area Statistical Uniform Prices, 2008–2010*

Month	2008 Actual	2009 Actual and **Estimated**	**2010 Estimated**
January	21.11	14.14	**16.35**
February	19.54	11.75	**16.67**
March	17.89	11.56	**16.67**
April	18.55	12.08	**16.69**
May	18.18	12.18	**16.74**
June	19.56	11.93	**16.95**
July	20.61	11.99	**17.20**
August	19.50	12.35	**17.48**
September	18.90	12.93	**17.72**
October	17.44	14.06	**17.72**
November	17.09	**15.01**	**17.69**
December	15.06	**15.82**	**17.59**
Average	18.62	**12.98**	**17.12**

* Estimated prices for November and December 2009, and all of 2010. All estimates are subject to change. Prices are reported at Suffolk County, MA. The actual price for November is $15.02 per cwt, announced in this issue.

USDA
MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

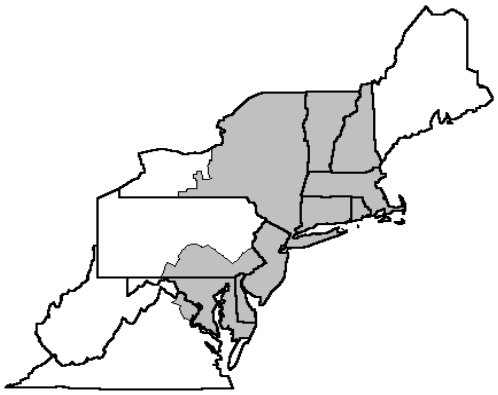
PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	825,075,267	$11.95	98,596,494.41	
Butterfat	16,571,747	1.3077	21,670,873.55	
Less: Location Adjustment to Handlers			(2,742,653.21)	$117,524,714.80
Class II— Butterfat	28,103,424	1.4726	41,385,102.19	
Nonfat Solids	33,342,563	0.9311	31,045,260.39	72,430,362.58
Class III– Butterfat	16,399,597	1.4656	24,035,249.37	
Protein	13,108,419	2.6991	35,380,933.71	
Other Solids	23,643,171	0.1524	3,603,219.23	63,019,402.31
Class IV– Butterfat	7,786,168	1.4656	11,411,407.81	
Nonfat Solids	14,648,212	0.9348	13,693,148.54	25,104,556.35
Total Classified Value				**$278,079,036.04**
Add: Overage—All Classes				73,978.49
Inventory Reclassification—All Classes				418,563.27
Other Source Receipts	310,324 Pounds			6,895.01
Total Pool Value				**$278,578,472.81**
Less: Producer Component Valuations @ Class III Component Prices				(270,405,426.64)
Total PPD Value Before Adjustments				**$8,173,046.17**
Add: Location Adjustment to Producers				8,805,264.83
One-half Unobligated Balance—Producer Settlement Fund				891,992.37
Less: Producer Settlement Fund—Reserve				(777,928.70)
Total Pool Milk & PPD Value	1,818,337,724 Producer pounds			**$17,092,374.67**
Producer Price Differential		**$0.94**		
Statistical Uniform Price		**$15.02**		

* 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 2009 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

December Pool Price Calculation

The December 2009 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.11 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 $16.97 per hundredweight. The December statistical uniform price was $1.09 per hundredweight above the November price. The December producer price differential (PPD) at Suffolk County was $1.13 per hundredweight, an increase of 19 cents per hundredweight from last month.

During December, all commodity prices rose again resulting in higher component and class prices. Most of the commodities surveyed by NASS reported price increases during November and December. Block Cheddar prices increased significantly during December causing an abnormal spread between the block and barrel prices (see related article below). The Class I price (announced in advance) increased $1.13 per hundredweight, the Class II price rose $1.01, the Class III price increased $0.90, and the Class IV price went up $1.76 per hundredweight. The Class II price again was the lowest class price for the month.❖

Block and Barrel Cheddar Price Spread Returns to Normal

The abnormal block and barrel Cheddar cheese price spread that characterized the Chicago Mercantile Exchange (CME) spot market recently has returned to normal. The block and barrel Cheddar cheese prices historically have been less than 10 cents apart. The week of November 14, the CME block Cheddar cheese price rose to 10 cents above the barrel Cheddar cheese price and traded more than 10 cents higher for 7 weeks straight. Block prices traded as much as 24 cents higher than barrels for 2 weeks during that time. This spread between the two price series can be seen clearly in the chart on page 3.

NASS Cheese Price Spread

National Agricultural Statistics Service (NASS) block and barrel Cheddar *monthly* cheese prices have averaged a 2-cent spread since the beginning of 2002, with the highest spread being 10 cents until December 2009 when it was 13 cents. The highest spread between NASS *weekly*

(continued on page 3)

Pool Summary

- A total of 13,187 producers were pooled under the Order with an average daily delivery per producer of 4,676 pounds.
- Pooled milk receipts totaled 1.912 billion pounds, an increase of 1.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 47.3 percent of total milk receipts, an increase of 1.0 percentage point from November.
- The average butterfat test of producer receipts was 3.80 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	47.3	904,159,885
Class II	17.3	331,365,702
Class III	23.1	442,007,411
Class IV	12.3	234,606,365
Total Pooled Milk		1,912,139,363

Producer Component Prices

	2009	2008
	$/lb	
Protein Price	2.8751	3.6390
Butterfat Price	1.5433	1.2998
Other Solids Price	0.1727	(0.0269)

Class Price Factors

	2009	2008
	$/cwt	
Class I	17.24	18.68
Class II	14.25	11.21
Class III	14.98	15.28
Class IV	15.01	10.35

2009 Northeast Order Statistics Summarized

During 2009, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 23.5 billion pounds, a decrease of 1.4 percent from 2008. The decline was due to decreased milk production in the region, most likely a response to lower prices during 2008. Total U.S. milk production from January through November basically was flat on a percentage basis. Total pounds were down about 600 million pounds. In the Northeast and the surrounding states that make up part of the Order's milkshed, milk production declined with only New York and Virginia reporting increases for the year.

A small amount (23.5 million pounds) was depooled during 2009, significantly less than the approximately 300 million pounds during 2008. If the depooled pounds were included in the total pooled milk receipts for both years, the actual change would have been a decline of 2.5 percent in 2009. The accompanying table compares selected pool statistics for 2008 and 2009. All volume comparisons have been adjusted for leap year.

Class Utilization Changes

Class I utilization averaged 43.7 percent in 2009, an increase of 0.3 percentage points from the previous year. The total volume of milk used in Class I decreased 0.9 percent but due to the decline in total milk receipts, the utilization percent increased. Class II usage increased 2.3 percent, resulting in an increase in utilization of 0.7 percentage points and an overall pool utilization of 20.2 percent.

Class III volume was up 4.2 percent with an increase in utilization of 1.3 percentage points. Class III usage averaged 23.5 percent. The amount of milk used in Class IV dropped 16.2 percent in 2009 and the corresponding utilization declined 2.2 percentage points. Class IV utilization accounted for an annual average of 12.6 percent. Most of the decline was in milk used to make dried milk products, mainly nonfat dry milk.

Prices Lower

The increases in milk production that occurred during late 2007 and early 2008 caused a decline in prices that began during the second half of 2008 and continued throughout most of 2009. For the year, all federal order class prices averaged less than during 2008; most were down about 30 percent from the previous year.

The Class I price averaged $14.73 per hundredweight in 2009, $6.52 below the 2008 annual average. The Class II price averaged $11.26 per hundredweight, nearly $5.00 less than the previous year. The Class III price was hit the hardest, averaging $11.36 per hundredweight, a drop of over $6.00 from the 2008 average. The Class IV price declined $3.76 and averaged $10.89 per hundredweight.

Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged $13.01 per hundredweight, $5.61 less than the 2008 price, and the second lowest blend price on record for the Order. The producer price differential (PPD) averaged $1.65 per hundredweight, 39.8 percent higher than the average in 2008.

Component Pricing

The price paid to producers for butterfat averaged $1.2571 per pound, 19.8 percent lower than in 2008. The per-pound annual average protein price was $2.2087, down 43.2 percent from 2008. The other solids price increased 10.3 percent and averaged $0.0612 per pound. Negative other solids values were reported during the first 4 months of 2009. The nonfat solids price declined 29.2 percent and averaged $0.7469 per pound.

Producer Tests

The annual average producer butterfat test equaled 3.72 percent in 2009, a drop of 1 percentage point from last year. New records were set during the months of January and July. The annual average producer protein test of 3.06 percent was unchanged from 2008. Record highs were set during the months of January, June, September, and October. The annual average producer other solids test dropped 2 percentage points to 5.69 percent in 2009.

The year ended with 416 less producers than at the end of 2008. Annual average daily deliveries per producer (DDP) equaled 4,810 pounds, relatively unchanged from 2008.❖

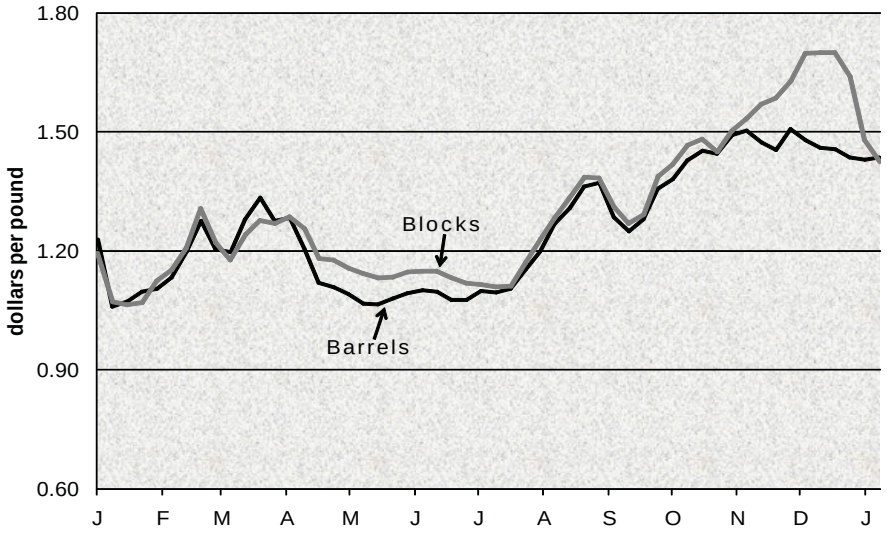
Northeast Order Pool Statistics, 2008–2009

Pool Statistics	2008	2009	2008-09 Change
	million pounds		percent
Class I	10,384.8	10,267.8	(0.9)
Class II	4,655.2	4,748.5	2.3
Class III	5,323.1	5,531.2	4.2
Class IV	3,531.9	2,949.9	(16.2)
Total	23,895.0	23,497.4	(1.4)
	pounds		
DDP	4,807	4,810	0.1
	utilization percentage		change
Class I	43.4	43.7	0.3
Class II	19.5	20.2	0.7
Class III	22.3	23.5	1.2
Class IV	14.8	12.6	(2.2)
	dollars/cwt		percent
Class I	21.25	14.73	(30.7)
Class II	16.24	11.26	(30.7)
Class III	17.44	11.36	(34.9)
Class IV	14.65	10.89	(25.7)
SUP	18.62	13.01	(30.1)
Producer Component:			
Tests:	percent		change
Butterfat	3.73	3.72	(0.0)
Protein	3.06	3.06	0.0
Other Solids	5.71	5.69	(0.0)
Prices:	dollars/lb		percent
Butterfat	1.5668	1.2571	(19.8)
Protein	3.8898	2.2087	(43.2)
Other Solids	0.0555	0.0612	10.3
Nonfat Solids	1.0552	0.7469	(29.2)

Block and Barrel Cheddar Price *(continued from page 1)*

block and barrel Cheddar prices was 12 cents during the period of January 2002 to November 2009. The spread between blocks and barrels for the week of January 9, 2010 (the most recent data available at publication), was 16 cents. The spread between NASS block and barrel prices appeared about the fourth week of November.

As of January 2, the spread between CME weekly block and barrel prices returned to a more normal 5 cents, and then just 1 cent the next week (most recent data available). NASS weekly prices were still exhibiting the spread as of January 9, as NASS prices generally lag CME price movements by a couple weeks. Some of the additional value that existed in the block price will benefit the January class prices.



Source: *Dairy Market News.*

Impact on Federal Order Prices

The increased value in blocks over barrels resulted in a 68-cent higher Class III price and a 16-cent higher uniform price in December than if blocks had been within their normal distance from the much lower barrel price. The impact in November was a 10-cent higher Class III price and a 2-cent higher uniform price. The Class I price for December and January was not affected because the Class III skim price was still not high enough to be the mover. The Class I price formula uses the higher of the advanced Class III or Class IV skim milk pricing factor to establish the Class I skim price. Though the advanced Class III skim milk pricing factor increased due to the increase in block prices, it remained below the Class IV skim pricing factor for both December and January.

Price Movement Briefly Explained

According to Dairy Market News, there were a couple of factors behind the unusual price spread. Cheese in storage was affecting sales of barrel cheese in particular, keeping barrel prices soft. Meanwhile, holiday demand seems to have bolstered block prices, resulting in the spread. With holiday demand behind us, and some milk shifting away from barrel production, the higher block prices were no longer supported and returned to a level close to the barrel price. The barrel price has held and did not mirror the decline in block prices.❖

Pool Summary for All Federal Orders, January–December, 2008–2009

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2008	2009	Change~	2008	2009	2008	2009
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**23,895,032,867**	**23,497,425,683**	**(1.4)**	**1.18**	**1.65**	**18.62**	**13.01**
5	Appalachian	5,882,231,758	5,950,397,772	1.4	N/A	N/A	19.90	14.00
6	Florida	3,130,160,081	3,027,183,629	(3.0)	N/A	N/A	21.87	16.12
7	Southeast	6,922,833,240	7,169,318,086	3.8	N/A	N/A	20.17	14.25
30	Upper Midwest	28,040,611,738	32,183,931,975	15.1	0.19	0.26	17.63	11.62
32	Central	11,564,480,710	12,685,174,559	10.0	(0.07)	0.41	17.37	11.77
33	Mideast	15,707,154,391	16,595,746,586	5.9	0.43	0.75	17.86	12.11
124	Pacific Northwest	6,881,681,377	7,470,190,925	8.8	(0.57)	0.41	16.87	11.76
126	Southwest	9,687,446,649	10,808,789,521	11.9	0.83	1.46	18.26	12.82
131	Arizona	4,155,785,979	4,042,238,490	(2.5)	N/A	N/A	17.46	12.10
	All Market Total/Average	115,867,418,790	123,430,397,226	6.8	0.33	0.83	18.60	12.96

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

MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	886,662,446	$12.56	111,364,803.22	
Butterfat	17,497,439	1.4635	25,607,501.98	
Less: Location Adjustment to Handlers			(2,916,276.25)	$134,056,028.99
Class II— Butterfat	25,379,739	1.5503	39,346,209.41	
Nonfat Solids	28,028,879	1.0156	28,466,129.52	67,812,338.93
Class III— Butterfat	17,863,535	1.5433	27,568,793.60	
Protein	13,844,991	2.8751	39,805,733.58	
Other Solids	25,083,041	0.1727	4,331,841.17	71,706,368.35
Class IV— Butterfat	11,877,973	1.5433	18,331,275.75	
Nonfat Solids	20,475,758	1.1068	22,662,568.95	40,993,844.70
Total Classified Value				**$314,568,580.97**
Add: Overage—All Classes				168,463.64
Inventory Reclassification—All Classes				398,045.07
Other Source Receipts	382,316 Pounds			8,899.28
Total Pool Value				**$315,143,988.96**
Less: Producer Component Valuations @ Class III Component Prices				(302,817,577.64)
Total PPD Value Before Adjustments				**$12,326,411.32**
Add: Location Adjustment to Producers				9,255,525.86
One-half Unobligated Balance—Producer Settlement Fund				933,874.68
Less: Producer Settlement Fund—Reserve				(904,316.94)
Total Pool Milk & PPD Value	1,912,521,679 Producer pounds			**$21,611,494.92**
Producer Price Differential		**$1.13**		
Statistical Uniform Price		**$16.11**		

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