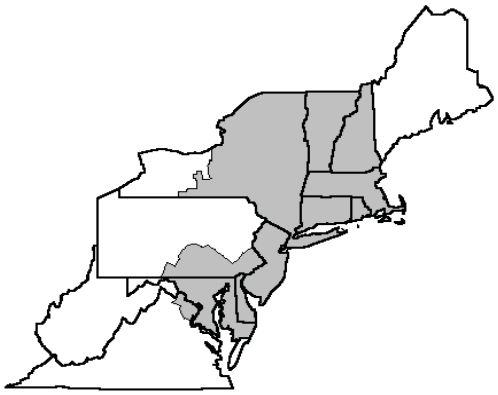


The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2010 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 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.26 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 $16.98 per hundredweight. The January statistical uniform price was 15 cents per hundredweight above the December price. The January producer price differential (PPD) at Suffolk County was $1.76 per hundredweight, an increase of 63 cents per hundredweight from last month.

During January, all commodity prices declined except dry whey. The NASS average cheese price decreased 3.7 percent from last month, lowering the Class III price 48 cents. Butter and nonfat dry milk prices dropped 5.9 and 7.2 percent, respectively, resulting in a $1.16 per hundredweight decline in the Class IV price, making it the lowest class price for the month. The Class I and II prices both increased as their formulas contain factors announced in advance and are based on the prior month's commodity prices.

The Class II volume of 401.5 million pounds was the highest on record for the month of January since the Order's inception.❖

Northeast Order Changes—the Past Ten Years

The Northeast Milk Marketing Order was formed in 2000 when the federal order system was reformed. The current milk marketing area is the consolidation of the former New England, New York-New Jersey, and Middle Atlantic areas. It encompasses an area that draws milk from producers located from Maine to Virginia and includes such metropolitan centers as Boston, New York City, Philadelphia, Baltimore, and Washington, DC. The accompanying summary and table on page 3 provide a snapshot of how the order has changed during the last 10 years.

Volume and Producer Changes

When the Order began, there were 18,009 producers pooled by handlers regulated under the Order; that number has declined to 13,187 as of December 2009, a drop of 26.8 percent. The total volume of producer milk receipts in 2000 was 23,956.9 million pounds; in 2009 it equaled 23,494.7 million pounds, a decrease of 1.9 percent. Average daily deliveries per producer equaled 3,788 pounds in 2000; the

(continued on page 3)

Pool Summary

- A total of 13,351 producers were pooled under the Order with an average daily delivery per producer of 4,735 pounds.
- Pooled milk receipts totaled 1.960 billion pounds, an increase of 2.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.6 percent of total milk receipts, a decrease of 3.7 percentage points from December.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.71 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.6	855,324,161
Class II	20.5	401,466,233
Class III	22.4	439,360,662
Class IV	13.5	263,538,326
Total Pooled Milk		1,959,689,382

Producer Component Prices

	2010	2009
	$/lb	
Protein Price	2.7916	2.3638
Butterfat Price	1.4405	1.1084
Other Solids Price	0.1946	(0.0304)

Class Price Factors

	2010	2009
	$/cwt	
Class I	18.28	18.99
Class II	15.22	10.41
Class III	14.50	10.78
Class IV	13.85	9.59

Class I Sales Continue Decline in 2009

Sales of fluid milk products in the Northeast Milk Marketing Area as reported by pool handlers regulated under the Order totaled 8.8 billion pounds in 2009, down 1.4 percent from 2008, the largest decline since the Order's inception. This figure does not include sales from producer-handlers, exempt plants, or plants fully or partially regulated by other federal orders with packaged milk sales within the Northeast Marketing Area.

The accompanying table shows Northeast sales by product for 2009, on a percentage basis, change from previous year, and sales on a per capital basis. Totals have been adjusted for leap year in 2008.

Sales of Fluid Milk Products in the Northeast Milk Marketing Area, 2009, with Comparisons

Product	Sales	2008-09 Change	Proportion of Total Sales	Per capita Sales
	mill. lbs.	percent		pounds
Whole Milk	2,920.7	(2.8)	33.2	54.6
Reduced Fat Milk	1,992.8	(0.5)	22.6	37.3
Low Fat Milk	1,889.3	1.0	21.4	35.3
Fat-Free Milk	1,441.8	(0.7)	16.4	27.0
Flavored Milk and Drinks	503.7	(7.4)	5.7	9.4
Buttermilk, eggnog, other	60.7	(2.9)	0.7	1.1
Total	8,809.1	(1.4)	100.0	164.8

Northeast Sales by Product

All categories showed a drop in sales except low fat milk (1 percent butterfat), which grew 1.0 percent from 2008. Once again, flavored milk and drinks (includes flavored whole milk and reduced and low fat flavored products) had the largest decline in the Northeast, dropping 7.4 percent. Whole milk sales dropped of 2.8 percent; the combined category of buttermilk, eggnog, and other products such as yogurt drinks fell 2.9 percent. Reduced fat (2 percent milk) and fat-free (skim) declined 0.5 and 0.7 percent, respectively from 2008.

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 2009 in the marketing area was 53.5 million people, as reported by the Bureau of Census; this is up slightly from the revised population figure of 53.2 million people for 2008.

On a per capita basis in the Northeast Marketing Area, the average person consumed 164.8 fluid pounds (about 19 gallons) in 2009, down from 167.9 pounds in 2008. Despite a decline in sales, whole milk remains the most popular product in the Northeast with 54.6 pounds; the lower fat products: reduced fat, low fat, and fat-free had 37.3, 35.3, 27 pounds each, respectively. Flavored products accounted for 9.4 pounds per capita and the combined buttermilk/eggnog category accounted for 1.1 pounds in the Northeast in 2009.

Price Effect on Sales?

During 2009, Class I prices averaged 30 percent less than the previous year, but the lower prices did not appear to translate into higher sales as reported by regulated handlers in the Northeast Marketing Area.❖

Market Services 2009 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 30,645 miles. The market service department checked 426 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2009 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.

2009 Tank Calibration Work by Tank Size

Tank Size (gallons)	Checks	Calibrations/ Recalibrations
0-500	28	10
501-1000	198	59
1001-1500	89	29
1501-2000	61	19
2001-3000	28	10
3001-6000	20	9
6000+	2	0
Total	**426**	**136**

Checks/Calibration Results

Of the 426 tanks checked, 36 were out of tolerance and were recalibrated. Of the tanks requiring recalibration, there was an almost even split between tanks that were over measuring and under measuring the amount of milk. An additional 100 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. Of the tanks that were recalibrated or calibrated, 72 percent were 1,500 gallon tanks or smaller. The 426 checks and the 100 additional calibrations total at least 526 farm visits. A total of 136 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.❖

Northeast Order Changes *(continued from page 1)*

amount per producer was 4,809 in 2009, an increase of 27.0 percent.

During 2000, 42.4 percent of all milk pooled under the Order came from producers located in New York; 32 percent was from Pennsylvania producers. In 2009, 43.6 percent was from New York while 34.3 came from Pennsylvania producers. In 2000, New York producers made up 39.2 percent of all producers shipping to handlers regulated under the Order; Pennsylvania accounted for 38.9 percent. In 2009, more producers were from Pennsylvania (43.3 percent), while New York accounted for 36.9 percent.

In December 2000, there were 268 plants receiving milk from pool producers; in December 2009, this number had dropped to 204. These plants include those processing milk for fluid consumption as well as those non-pool plants that manufacture dairy products such as cheese, butter, ice cream, and other dairy products.

Northeast Order, Selected Statistics, 2000 vs. 2009*

Statistic	2000	2009	Change
	million pounds		percent
Pounds:			
Class I	10,513.1	**10,267.8**	(2.3)
Class II	4,146.9	**4,747.4**	14.5
Class III	6,963.4	**5,530.7**	(20.6)
Class IV	2,333.5	**2,948.8**	26.4
Total	23,956.9	**23,494.7**	(1.9)
	pounds		
Daily Deliveries per Producer	3,788	**4,809**	27.0
Producers:	count		
(Jan vs.Dec)	18,009	**13,187**	(26.8)
Handler#:			
(Dec vs. Dec)	268	**204**	(23.9)
Tests:	percent		percentage points
Butterfat	3.71	**3.72**	0.01
Protein	2.99	**3.06**	0.07
Other solids	5.67	**5.69**	0.02

* Annual totals/averages unless otherwise noted.
\# Handler count includes pool and nonpool plants receiving pool milk for fluid processing and manufacturing purposes.

Receipts by Class

In 2000, pooled milk used for Class I purposes (bottled milk) equaled 10,513.1 million pounds; in 2009, Class I use equaled 10,267.8 million pounds, a decrease of 2.3 percent. Since 2004, Class I sales have declined, on average, about 1.0 percent annually (see related article on page 2). Over the years Class II usage has grown, although inconsistently. In 2000, total Class II usage equaled 4,146.9 million pounds; it rose to 4,747.4 million pounds in 2009 (an increase of 14.5 percent).

In contrast, Class III usage has declined. In 2000, Class III pounds totaled 6,963.4 million pounds; in 2009, Class III usage had an annual total of 5,530.7 million pounds (a decrease of 20.6 percent). Some of this decline is due to the loss of plants in the region, mentioned above, that manufactured Class III products, particularly cheese. Class IV pounds have been inconsistent over the time period; variations occur due to market conditions based on overall milk supply and the demand for butter and nonfat dry milk. Annual totals have ranged from 2,068.3 million pounds in 2003 to 3,530.9 million in 2008.

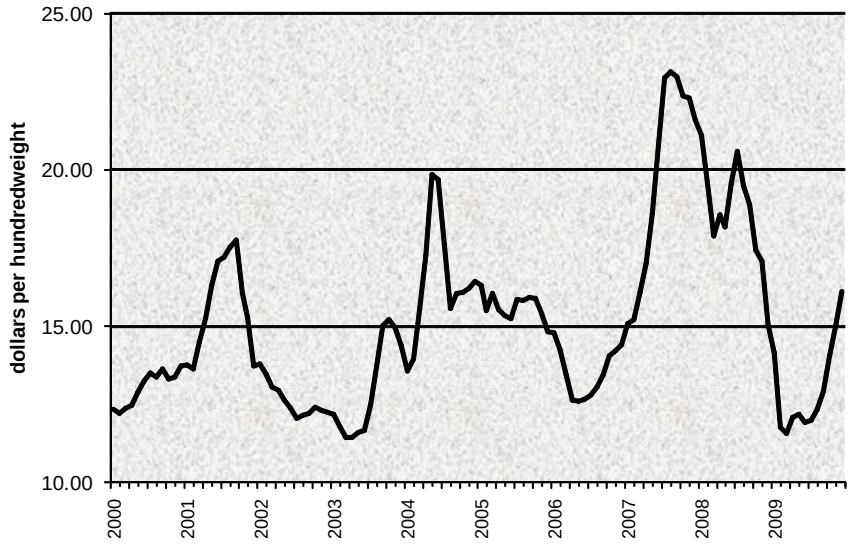
Producer Component Tests

The producer butterfat test averaged 3.71 percent in 2000 and 3.72 percent in 2009. Over the past 10 years, the annual average has ranged from 3.67 percent to 3.73 percent (a difference of 0.06 percentage points). Monthly average butterfat tests have ranged from 3.50 to 3.84 percent. The average producer protein test has shown fairly consistent increases. It averaged 2.99 percent in 2000 and rose to 3.06 percent, an increase of 0.07 percentage points. Monthly average protein tests have ranged from 2.88 to 3.15 percent. Other solids tests have shown less variation, ranging from an average of 5.67 percent to 5.71 percent over the past ten years (a variation of only 0.04 percentage points).

Price Changes

Over the ten year period, the annual average statistical uniform price ranged from $12.64 in 2002 to $19.85 per hundredweight in 2007 (see accompanying chart). During this period, prices ranged from a low of $11.43 in March 2003 to a high of $23.14 in August 2007.❖

Northeast Order Statistical Uniform Price, January 2000—December 2009



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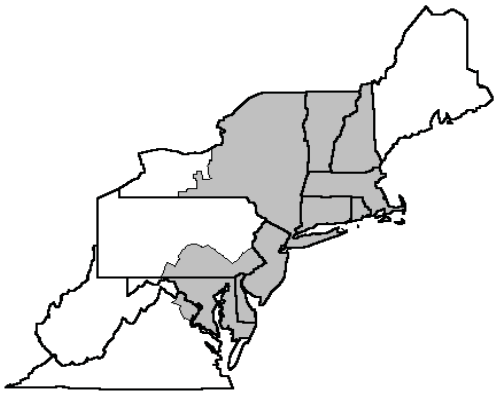
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	839,683,079	$13.07	109,746,578.43	
Butterfat	15,641,082	1.6199	25,336,988.73	
Less: Location Adjustment to Handlers			(2,789,693.06)	$132,293,874.18
Class II— Butterfat	28,340,872	1.4475	41,023,412.30	
Nonfat Solids	34,161,125	1.1689	39,930,939.02	80,954,351.32
Class III— Butterfat	17,028,436	1.4405	24,529,462.11	
Protein	13,660,451	2.7916	38,134,515.04	
Other Solids	25,060,678	0.1946	4,876,807.96	67,540,785.11
Class IV— Butterfat	13,032,353	1.4405	18,773,104.50	
Nonfat Solids	23,001,745	1.0148	23,342,170.80	42,115,275.30
Total Classified Value				**$322,904,285.91**
Add: Overage—All Classes				205,383.81
Inventory Reclassification—All Classes				(48,590.11)
Other Source Receipts	464,349 Pounds			14,421.52
Total Pool Value				**$323,075,501.13**
Less: Producer Component Valuations @ Class III Component Prices				(298,229,355.28)
Total PPD Value Before Adjustments				**$24,846,145.85**
Add: Location Adjustment to Producers				9,608,226.07
One-half Unobligated Balance—Producer Settlement Fund				839,369.82
Less: Producer Settlement Fund—Reserve				(795,036.00)
Total Pool Milk & PPD Value	1,960,153,731 Producer pounds			**$34,498,705.74**
Producer Price Differential		**$1.76**		
Statistical Uniform Price		**$16.26**		

* 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 2010 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 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.30 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 $16.92 per hundredweight. The February statistical uniform price was 4 cents per hundredweight above the January price. The February producer price differential (PPD) at Suffolk County was $2.02 per hundredweight, an increase of 26 cents per hundredweight from last month.

During February, all commodity prices declined except dry whey. The NASS average butter price decreased slightly but the nonfat dry milk dropped 11 cents, lowering the Class IV price 95 cents. The dry whey price increased nearly 54 cents, but because of the 2.64 cent decline in the cheese price, which weighs more heavily into the formula, the Class III price dropped 22 cents per hundredweight. The only class price to rise was the Class II price (increased 43 cents) mainly due to the advanced pricing of the skim and nonfat solids components.

The producer other solids test of 5.73 percent tied with 2006 and 2008 as the highest for February.❖

Change to the Producer-Handler Definition

The U.S. Department of Agriculture has issued a final decision to amend the producer-handler definition in all federal milk marketing orders. A producer referendum is underway, concluding on March 24 in the Northeast Order, with referendum results to be announced by the Secretary of Agriculture at a later date. The final decision is based on the record of a public hearing held in Cincinnati, Ohio, on May 4-20, 2009, pursuant to a notice of hearing published April 9, 2009, and a previously issued recommended decision published October 21, 2009.

The decision proposes that the producer-handler definition of all federal milk marketing orders be amended by placing a limit on the exemption from pooling and pricing provisions to handlers with total route dispositions and sales of packaged fluid milk products to other plants of 3 million pounds or less per month. The exempt plant definition would continue to limit route disposition and sales of packaged fluid milk products to other plants

(continued on page 3)

Pool Summary

- A total of 13,324 producers were pooled under the Order with an average daily delivery per producer of 4,863 pounds.
- Pooled milk receipts totaled 1.814 billion pounds, an increase of 2.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.4 percent of total milk receipts, an increase of 0.8 percentage points from January.
- The average butterfat test of producer receipts was 3.77 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.4	804,528,559
Class II	19.9	360,987,290
Class III	22.6	410,473,001
Class IV	13.1	238,406,516
Total Pooled Milk		1,814,395,366

Producer Component Prices

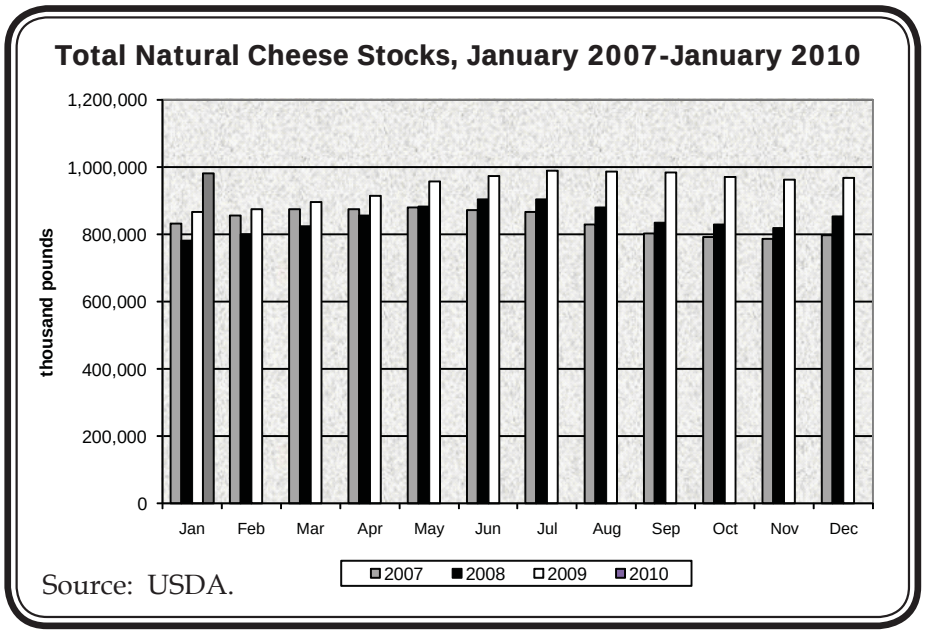
	2010	2009
	$/lb	
Protein Price	2.7066	1.9139
Butterfat Price	1.4404	1.0941
Other Solids Price	0.1992	(0.0437)

Class Price Factors

	2010	2009
	$/cwt	
Class I	18.09	13.97
Class II	15.65	10.25
Class III	14.28	9.31
Class IV	12.90	9.45

Market Situation Outlook

Projections for milk prices in 2010 have declined somewhat in recent weeks. Basing projections on the Chicago Mercantile Exchange's future prices for Class III and Class IV milk, an annual average uniform price in Boston, MA, for 2010 was in the range of $16.65 to $16.85 per hundredweight throughout the month of January. During recent weeks, the projection for the annual average uniform price at Boston, MA, for 2010 has been roughly $15.80 to $16.05 per hundredweight. The more cautious outlook may be the result of current supply and demand signals.



Supply

Total stocks of dairy products on a total milk equivalent, milkfat basis were running between roughly 3.0 and 6.0 percent over 2008 levels for the first 6 months of 2009. Total stocks had risen to between 15 and 20 percent higher than 2008 levels (the last year of strong milk prices) for the months of August through November 2009. Total stocks in December 2009 were 12.5 percent higher than the year previous.

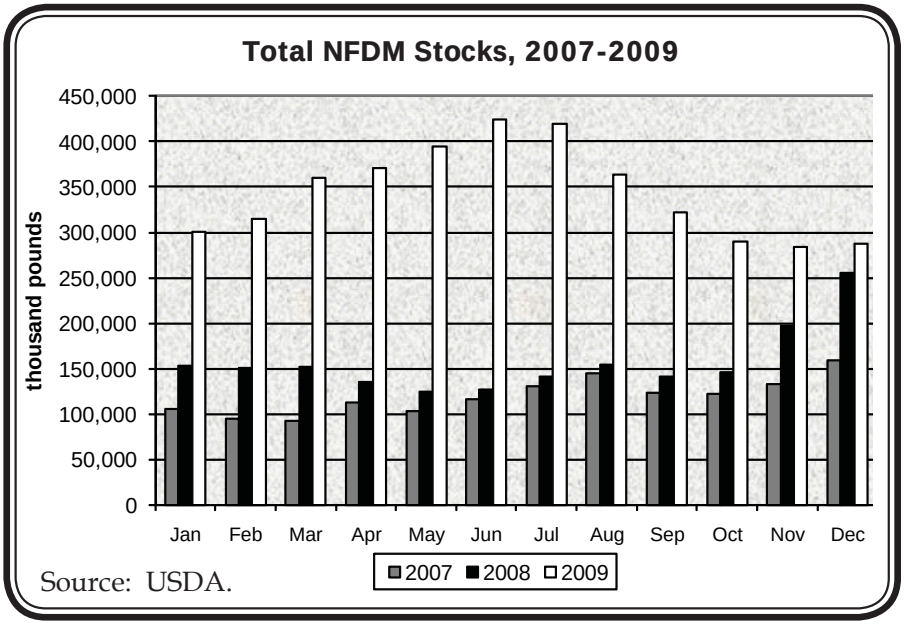
Total natural cheese stocks were 981 million pounds in January 2010 – the third highest for that month dating back to 1970 and the highest since 1984. Total butter stocks were 133 million pounds in December, over 14 million pounds more than December 2008. Total nonfat dry milk stocks were 287 million pounds in December 2009, down 32 percent from June 2009. Analysts feel stocks need to be at lower levels to support price recovery.

The USDA revised its 2010 price forecast lower due in part to the high stocks of dairy products discussed earlier. In addition, cow slaughter is relatively low and January's milk cow numbers were higher than expected. The milk-feed price ratio rose to 2.38 in February, just under the 2.5 to 3.0 range that tends to indicate more of a steady state in U.S. herd growth.

Milk production declined by 0.1 percent in 2009 (see article on page 3) and was accompanied by low milk prices. With signs pointing to steady or slightly growing milk production for 2010, increased demand will need to soak up extra stocks and production to support increasing milk prices.

Demand

The Conference Board's *Consumer Confidence Index*, often used as an economic indicator of demand, declined sharply in February to 46.0 from 56.5 in January. The index is important since consumer spending makes up such a large portion of economic growth. If consumers are uncertain about the economy, they will buy less, and the economy will slow further. If consumer confidence increases, the economy tends to grow.



The National Restaurant Association's *Restaurant Performance Index (RPI)*, a monthly composite index that tracks the health of and outlook for the U.S. restaurant industry, stood at 98.3 in January, down 0.3 percent from December's level. An index value below 100 signifies contraction in the index of key industry indicators. Although the current situation indicators remained soft in January, the Expectations Index rose above 100 for the first time in 9 months. Restaurant operators are relatively optimistic about improving sales growth and economic conditions in the months ahead, and their capital spending plans rose to the highest level in five months. Improved restaurant sales are an important facet of dairy demand.

In 2010, domestic commercial use is

(continued on page 3)

U.S. Milk Production Down Slightly for 2009

Total milk production in the United States declined a slight 0.1 percent in 2009, when compared to leap year adjusted production in 2008. This was the first year-over-year decline in total U.S. production since 2001.The top ten milk-producing states showed no change, nor did the top 23 states as reported by the National Agricultural Statistics Service (NASS). The accompanying table shows the top ten states ranked by their total 2009 production. All comparisons have been adjusted for leap year.

Top Ten States Ranked by Milk Production, 2009

Rank	State	2008	2009	Percent Change
		million pounds		
1	California	41,203	39,512	(3.8)
2	Wisconsin	24,472	25,239	3.4
3	New York	12,432	12,424	0.2
4	Idaho	12,315	12,150	(1.1)
5	Pennsylvania	10,575	10,551	0.0
6	Minnesota	8,782	9,019	3.0
7	Texas	8,416	8,840	5.3
8	Michigan	7,763	7,968	2.9
9	New Mexico	7,865	7,904	0.8
10	Washington	5,696	5,561	(2.1)
	Top Ten Total	139,519	139,168	0.0
	U.S. Total	189,982	189,320	(0.1)

Source: NASS, *Milk Production.*

Top Producing States

The top ten list contained the same states as in 2008; the only changes being a displacement of New Mexico by Michigan for the number 8 spot. California, which reported an average annual production increase of 4.1 percent each year since 1980 (29 years), had a decrease of 3.8 percent last year. The only other top ten states reporting decreases were Idaho and Washington. Once again, Texas had the strongest growth of the top ten states with an increase of 5.3 percent in 2009. Last year its production jumped 13.7 percent. Wisconsin, Minnesota, and Michigan, three states whose production had been relatively stagnant for the past few years, each averaged growth around 3 percent in 2009.

NASS changed their list of the top 23 states slightly, adding Utah and removing Kentucky. Based on the past 2 years of rankings, South Dakota should have been included as it ranked 21, and Missouri, which ranked 24, would be left off the list. Other ranking changes included Iowa (number 12 in 2009) switching places with Arizona (now 13) and Kansas (number 16 in 2009) bumping Vermont to 17.

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) decreased 0.5 percent in 2009 compared to the national decline of only 0.1 percent. The 3 top producing states (New York, Pennsylvania, and Vermont) had a combined decrease of 0.3 percent. Production in New York and Pennsylvania was relatively flat, while Vermont declined 3.9 percent. The combined New England states (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont) reported a decline of 3.1 percent while the remaining milkshed states (Delaware, Maryland, New Jersey, Virginia, and West Virginia) showed a combined drop of 1.3 percent from 2008.

Cow Numbers and Production per Cow

Nationally, the number of milk cows decreased 1.2 percent in 2009. In the Northeast, milk cow numbers declined 1.4 percent. Average milk production per cow grew 1.2 percent nationally; for the Northeast, the increase was 1.0 percent.❖

Market *(continued from page 2)*

expected to increase 1.4 percent on a milk equivalent milkfat basis. USDA expects U.S. commercial dairy exports to increase significantly in 2010 over 2009, from 4.1 to 4.8 billion pounds on a milk equivalent fat solids basis (though not close to the 8.7 billion pounds exported in 2008). Some analysts believe global dairy demand will clear U.S. surpluses but may not be enough to drive prices up significantly.

Given a steady to slightly increasing national milk production expectation with mixed demand expectations, it becomes more clear why the milk price outlook has become somewhat more cautious since the relatively higher projections made in January. Even so, the annual average milk price for 2010 still is predicted to be roughly $3.00 per hundredweight higher than in 2009, with uniform prices from August through December higher than recent January and February levels.❖

Producer-Handler *(continued from page 1)*

to 150,000 pounds or less per month. Producer-handlers are dairy farmers that process their own milk production. Exempt plants are plants not subject to full regulation under federal milk marketing orders on the basis of their size.

The proposed order as amended would obligate some large producer-handlers under the federal milk marketing order system to the same terms as other fully regulated handlers, of their respective order, provided they meet the criteria for qualification as fully regulated plants. An entity currently defined as a producer-handler under the terms of its order will be subject to the pooling and pricing provision of the order if the total route disposition and sales of packaged fluid milk products to other plants are more than 3 million pounds per month. A producer-handler with total route disposition and sales of packaged fluid milk products to other plants of 3 million pounds or less during the month will *not* be subject to the pooling and pricing provisions of any order as a result of this rulemaking.

The decision can be downloaded from the following website**: http://www.ams.usda.gov/AMSv1.0/dairy.**❖

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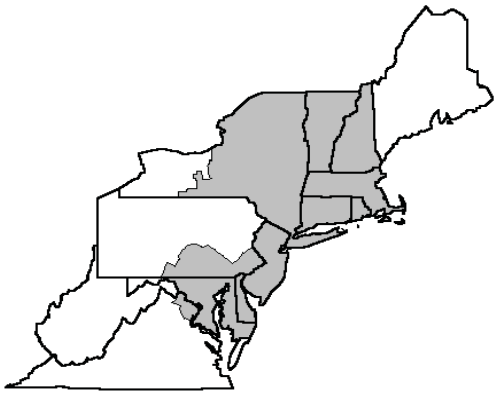
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	789,734,059	$13.52	106,772,044.78	
Butterfat	14,794,500	1.4415	21,326,271.75	
Less: Location Adjustment to Handlers			(2,638,822.75)	$125,459,493.76
Class II— Butterfat	25,153,058	1.4474	36,406,536.15	
Nonfat Solids	30,720,202	1.2189	37,444,854.22	73,851,390.37
Class III— Butterfat	16,679,096	1.4404	24,024,569.90	
Protein	12,615,591	2.7066	34,145,358.57	
Other Solids	23,428,812	0.1992	4,667,019.38	62,836,947.85
Class IV— Butterfat	11,726,454	1.4404	16,890,784.35	
Nonfat Solids	20,816,016	0.9043	18,823,923.25	35,714,707.60
Total Classified Value				**$297,862,539.58**
Add: Overage—All Classes				93,902.83
Inventory Reclassification—All Classes				65,747.71
Other Source Receipts	428,070 Pounds			15,241.37
Total Pool Value				**$298,037,431.49**
Less: Producer Component Valuations @ Class III Component Prices				(270,309,681.22)
Total PPD Value Before Adjustments				**$27,727,750.27**
Add: Location Adjustment to Producers				8,862,661.46
One-half Unobligated Balance—Producer Settlement Fund				908,016.89
Less: Producer Settlement Fund—Reserve				(838,995.23)
Total Pool Milk & PPD Value	1,814,823,436 Producer pounds			**$36,659,433.39**
Producer Price Differential		**$2.02**		
Statistical Uniform Price		**$16.30**		

* 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 2010 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 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $15.54 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $16.02 per hundredweight. The March statistical uniform price was 76 cents per hundredweight below the February price. The March producer price differential (PPD) at Suffolk County was $2.76 per hundredweight, an increase of 74 cents per hundredweight from last month.

During March, all commodity prices declined except butter, which increased 8 cents per pound. The NASS average cheese price decreased nearly 15 cents per pound, lowering the Class III price $1.50 per hundredweight and making it the lowest class price for the month. The only class price to rise was Class IV, which increased a slight 2 cents due to the increase in the butter price, even though it was countered by a 4-cent drop in the nonfat dry milk price.

Producer milk receipts increased 3.6 percent from February on an average daily basis, the second largest increase for the month of March since the Order's inception.❖

Larger Farms Playing Bigger Role

Based on verified payroll data, when comparing the number of farms pooled on the Northeast Order in December 2000 (16,284 farms) to December 2009 (13,118 farms), a span of 10 years, the figure has dropped by 22 percent. For the same period however, the milk pooled on the order by these respective farms was just 2 percent less.

The accompanying table on page 3 shows the numbers of farms and the milk they pooled, respectively, grouped together in 5 size categories. Most notable is that in 2009, 10.3 percent of the farms (farms producing over 250,000 pounds per month) produced 50.4 percent of the total milk pooled on the order. Farms producing 250,000 pounds or more per month accounted for 7.7 percent of the farms and 35.1 percent of the total milk pooled in 2000. Milk pooled by farms in the largest category (over 600,000 pounds per month) almost doubled from 2000 to 2009.

Where Are the Larger Farms?

Of the farms pooling 600,000 pounds or more per month, 56 percent are in

(continued on page 3)

Pool Summary

- A total of 13,400 producers were pooled under the Order with an average daily delivery per producer of 5,009 pounds.
- Pooled milk receipts totaled 2.081 billion pounds, an increase of 3.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.6 percent of total milk receipts, a decrease of 1.8 percentage points from February.
- The average butterfat test of producer receipts was 3.73 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.6	885,561,416
Class II	21.1	438,948,651
Class III	23.3	484,647,762
Class IV	13.0	271,540,662
Total Pooled Milk		2,080,698,491

Producer Component Prices

	2010	2009
	$/lb	
Protein Price	2.1311	2.1973
Butterfat Price	1.5347	1.1594
Other Solids Price	0.1823	(0.0339)

Class Price Factors

	2010	2009
	$/cwt	
Class I	17.59	12.68
Class II	14.46	10.36
Class III	12.78	10.44
Class IV	12.92	9.64

Biennial Container Survey

The results from the November 2009 container sales survey for the Northeast Milk Marketing Area were recently released. The survey is conducted biennially and records packaged sales data for the month of November. Information is collected from handlers operating plants regulated under Federal Order No. 1 that sell fluid packaged milk products on routes within the defined Northeast marketing area.

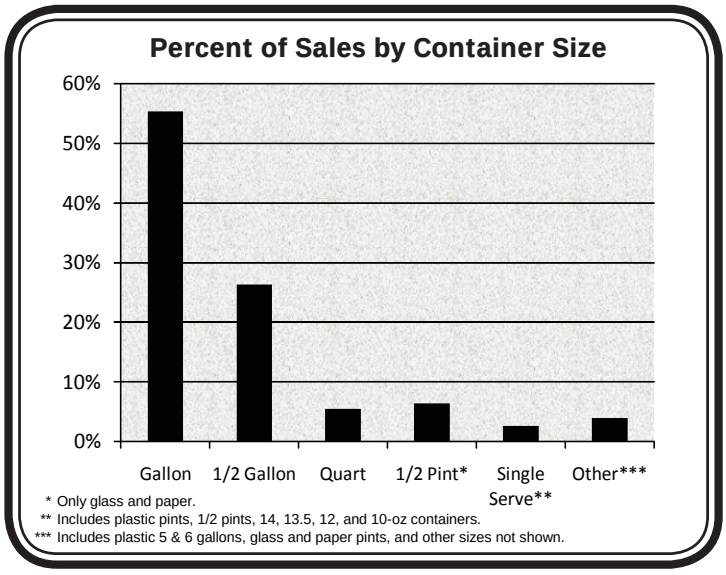
Packaged sales totaled 873.2 million pounds (about 101.5 million gallons) in November 2009, down 5.0 percent from 2007. Sales include whole, reduced fat (2%), low fat (1%), fat free (skim), flavored whole and low fat milk products, organic whole and low fat products, buttermilk, and eggnog. Data are collected for three container types (glass, paper, and plastic) and eleven different container sizes. Besides the standard plastic container sizes: gallon, half gallon, quart, and commercial 6 and 5-gallon, data is collected for plastic single serve sizes: pint, half-pint, 14 ounce, 13.5 ounce, 12 ounce, and 10 ounce. Data for other sizes are collected but grouped together in total volume.

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

Container Type

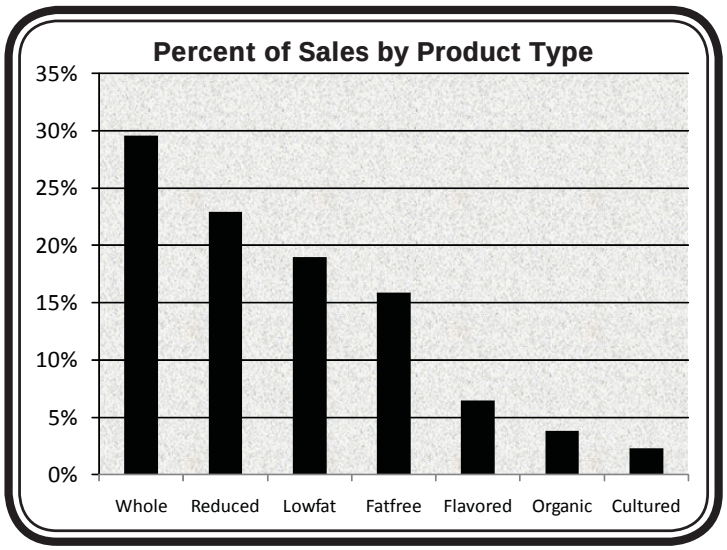
Plastic containers led with 77.9 percent of all route sales in November 2009, up slightly from 76.4 percent in November 2007. Paper containers had 21.9 percent (down from 23.2 percent in November 2007) and glass only 0.3 percent, unchanged from the last survey.

Of the handlers surveyed, 53 percent reported having product sold in plastic single serving size containers equaling a total volume of 22.4 million pounds. Sales in single serve containers accounted for 3.3 percent of the total volume sold in all plastic containers and about 2.6 percent of all reported route sales (down from 3.4 percent in 2007). The majority (50.9 percent) were sold in half pints, followed by pints (22.9 percent). This is a switch from 2007 when pints reported 40.8 percent and half pints had 35.2 percent.



Container Size

Sales in gallon containers accounted for 55.3 percent of all sales (see chart 1), up 2.2 percentage points from the last survey in November 2007. Half-gallons equaled 26.3 percent (down from 27.2 percent in 2007). Quarts had 5.5 percent and half-pints 6.4 percent. The remainder was sold in single serve, mentioned above, and other sizes such as 5 and 6 gallon, pint, 4 ounce, and many other sizes not individually identified.



Product Type

Whole milk sales accounted for 29.6 percent of the total sales in November 2009 (see chart 2); down from 31.9 percent in 2007. Even if the organic whole milk, which accounted for 1.3 percent, was included there was an overall decline in whole milk. Reduced fat reported 22.9 percent; low fat equaled 19.0 percent; and fat free had 15.9 percent. Both reduced fat and fat free are down when compared to 2007, while low fat is up, but for the 2009 survey, organic lower fat products (which include reduced, low fat and fat free) were reported separately and accounted for 2.5 percent of total sales. As a result, some of the changes from the 2007 survey in the lower fat categories may be due to the break-out of organic, rather than actual sales changes. Flavored whole and low fat milk products combined for a total of 6.5 percent; buttermilk had 0.4 percent; and eggnog reported 1.9 percent. Flavored and eggnog showed decreases from 2007; buttermilk was unchanged.

Method of Distribution

In the Order No. 1 marketing area, wholesale deliveries (from plant to retail outlet) accounted for 99.7 percent of total sales in the 2009 survey; home deliveries made up the remaining 0.3 percent. In 2009, of the wholesale total, 39.2 percent were to supermarkets (down from 51.6 percent in 2007); 20.9 percent to dairy and convenience stores (up from 15.9 percent); 7.7 percent to institutions such as schools and military (up from 6.7 percent); and 32.2 percent to other wholesale establishments such as superstores/hypermarkets and wholesale clubs (up from 25.9 percent) ❖.

Larger Farms *(continued from page 1)*

Farms by Pounds Pooled on the Northeast Order, December, 2000 and 2009

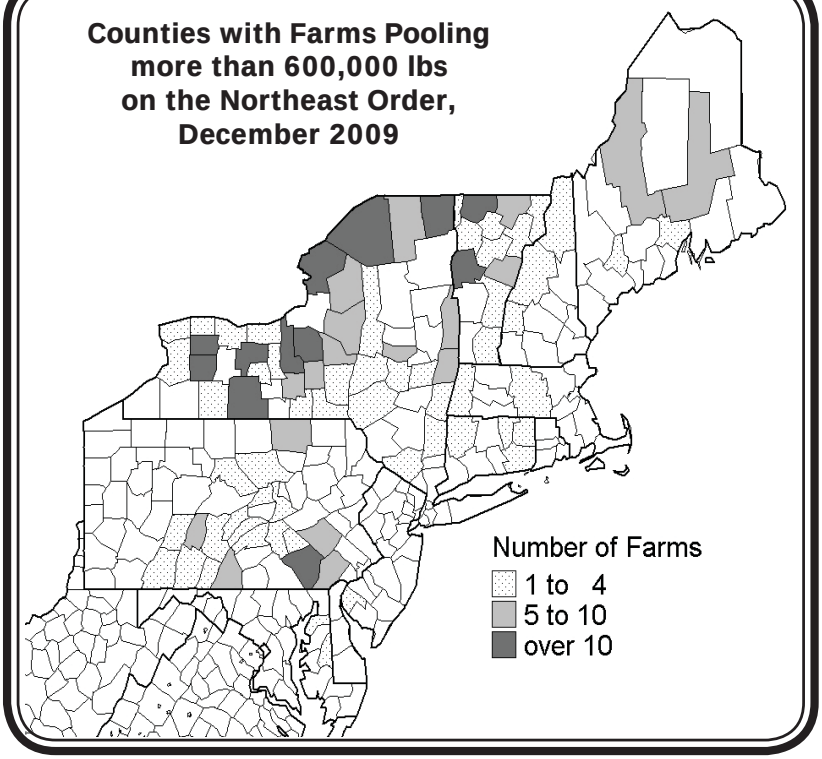
Farm Size Pounds Per Month	2000 Farms	2000 Pounds	2000 Farms percent of total	2000 Pounds percent of total	2009 Farms	2009 Pounds	2009 Farms percent of total	2009 Pounds percent of total
0-49,999	4,783	146,081,532	28.4	7.5	3,982	111,464,776	30.4	5.9
50,000-99,999	6,246	449,541,871	37.1	23.1	4,317	314,849,498	32.9	16.5
100,000-249,999	4,494	667,582,609	26.7	34.3	3,463	519,281,131	26.4	27.2
250,000-599,999	1,001	362,382,680	6.0	18.6	882	326,376,162	6.7	17.1
>=600,000	300	320,711,301	1.8	16.5	474	636,114,480	3.6	33.3
Total	16,824	1,946,299,993	100.0	100.0	13,118	1,908,086,047	100.0	100.0

New York, followed by 18 percent in Pennsylvania, and 17 percent in Vermont. Addison and Franklin counties in Vermont, had the most farms in this category of any county with milk pooled on the Northeast, with 25 and 23, respectively. Cayuga County, New York, had 22 of the largest category farms, and Lancaster County, Pennsylvania, had 21. The accompanying map depicts, in general, where farms producing 600,000 pounds or more per month are located.

Smallest Farms Hold Ground

The number of farms pooling less than 50,000 pounds per month, the smallest size category, declined the most from 2000 to 2005, but has actually grown by 103 farms since then. Pooled receipts from this category declined 3.9 percent since 2005. This may be due, in part, to farms in the smallest size category pooling on the Northeast from Indiana, Iowa, Michigan, Ohio and Wisconsin, most of which are organic, who were not pooled in 2005. Still, the smallest farm category, which made up 30.4 percent of the farms in 2009, is pooling just 5.8 percent of the total milk on the order.

Some of the decline in farm numbers in the middle categories could be the result of expansions, as those farms moved to the larger categories.❖



Pool Summary for All Federal Orders, January–March, 2009–2010

Federal Order Number	Federal Order Name	Total Producer Milk 2009 (pounds)	Total Producer Milk 2010 (pounds)	Change (percent)	Producer Price Differential# 2009 (dollars per hundredweight)	Producer Price Differential# 2010 (dollars per hundredweight)	Statistical Uniform Price#* 2009 (dollars per hundredweight)	Statistical Uniform Price#* 2010 (dollars per hundredweight)
1	**Northeast**	**5,923,365,314**	**5,854,783,239**	**(1.2)**	**2.31**	**2.18**	**12.48**	**16.03**
5	Appalachian	1,509,630,175	1,517,331,785	0.5	N/A	N/A	13.89	17.14
6	Florida	832,269,218	761,625,393	(8.5)	N/A	N/A	16.04	19.40
7	Southeast	1,830,594,101	1,783,455,621	(2.6)	N/A	N/A	14.10	17.33
30	Upper Midwest	7,913,426,885	8,468,058,036	7.0	0.49	0.38	10.66	14.23
32	Central	3,180,630,453	3,301,065,099	3.8	0.93	0.71	11.10	14.57
33	Mideast	4,077,016,703	4,149,849,076	1.8	1.42	1.21	11.59	15.07
124	Pacific Northwest	1,934,280,880	2,025,032,685	4.7	0.79	0.60	10.97	14.46
126	Southwest	2,767,321,798	2,659,435,245	(3.9)	1.91	1.86	12.09	15.72
131	Arizona	1,099,324,457	1,073,731,074	(2.3)	N/A	N/A	11.27	14.79
	All Market Total/Average	31,067,859,984	31,594,367,253	1.7	1.31	1.16	12.42	15.87

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

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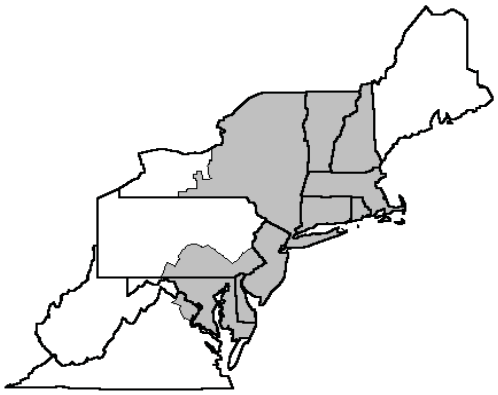
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	869,448,131	$12.85	111,724,084.83	
Butterfat	16,113,285	1.4840	23,912,114.94	
Less: Location Adjustment to Handlers			(2,866,266.50)	$132,769,933.29
Class II— Butterfat	31,015,924	1.5417	47,817,249.99	
Nonfat Solids	37,204,991	1.0433	38,815,967.14	86,633,217.13
Class III— Butterfat	19,503,746	1.5347	29,932,399.00	
Protein	14,787,516	2.1311	31,513,675.34	
Other Solids	27,664,566	0.1823	5,043,250.40	66,489,324.74
Class IV— Butterfat	10,917,058	1.5347	16,754,408.90	
Nonfat Solids	23,812,487	0.8688	20,688,288.70	37,442,697.60
Total Classified Value				**$323,335,172.76**
Add: Overage—All Classes				69,337.60
Inventory Reclassification—All Classes				213,558.96
Other Source Receipts	462,386 Pounds			21,652.99
Total Pool Value				**$323,639,722.31**
Less: Producer Component Valuations @ Class III Component Prices				(275,944,966.63)
Total PPD Value Before Adjustments				**$47,694,755.68**
Add: Location Adjustment to Producers				10,111,749.05
One-half Unobligated Balance—Producer Settlement Fund				622,931.28
Less: Producer Settlement Fund—Reserve				(989,395.74)
Total Pool Milk & PPD Value	2,081,160,877 Producer pounds			**$57,440,040.27**
Producer Price Differential		**$2.76**		
Statistical Uniform Price		**$15.54**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

April 2010 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 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $15.11 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 milk, the SUP would be $15.45 per hundredweight. The April statistical uniform price was 43 cents per hundredweight below the March price. The April producer price differential (PPD) at Suffolk County was $2.19 per hundredweight, a decrease of 57 cents per hundredweight from last month.

During April, all commodity prices increased except dry whey, which declined slightly. The NASS average cheese price increased about 2 cents; butter rose about 4 cents and nonfat dry milk jumped about 8 cents. Both the Class III and IV prices rose, but the Class I and Class II prices, which use market prices from the prior month, declined. With Class I and II prices declining and Class III and IV prices rising, the tighter spread between the classes resulted in a lower PPD and overall lower blend price.

A change in pooling status of a large Class I plant (normally pooled in the Mideast Federal Order) contributed to the largest Class I volume for the month of April since 2004. The average daily change in total milk receipts between March and April was the highest since the Order's inception. This was the result of the pooling change and strong milk production.❖

Producer-Handler Rule Issued

On April 23, 2010, USDA issued a final rule amending the producer-handler definition in all federal milk marketing orders. Producers approved the amendments in referenda held in March 2010.

This rule amends the producer-handler definition to limit exemption from pooling and pricing provisions of the orders to those producer-handlers with total route disposition and sales of packaged fluid milk products to other plants of 3 million pounds or less per month.

These amendments were considered in a recommended decision published October 21, 2009, and adopted by a final decision published March 4, 2010. The amendments will be effective June 1, 2010. For more information, go to www.ams.usda.gov/AMSv1.0/dairy and click on the link titled Producer-Handler Final Rule Issued.❖

Pool Summary

- A total of 13,336 producers were pooled under the Order with an average daily delivery per producer of 5,210 pounds.
- Pooled milk receipts totaled 2.085 billion pounds, an increase of 3.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.8 percent of total milk receipts, a decrease of 0.8 percentage points from March.
- The average butterfat test of producer receipts was 3.67 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.8	870,462,988
Class II	20.0	417,441,892
Class III	23.7	493,480,512
Class IV	14.5	303,307,250
Total Pooled Milk		2,084,692,642

Producer Component Prices

	2010	2009
	$/lb	
Protein Price	2.1449	2.2009
Butterfat Price	1.5813	1.2049
Other Solids Price	0.1702	(0.0043)

Class Price Factors

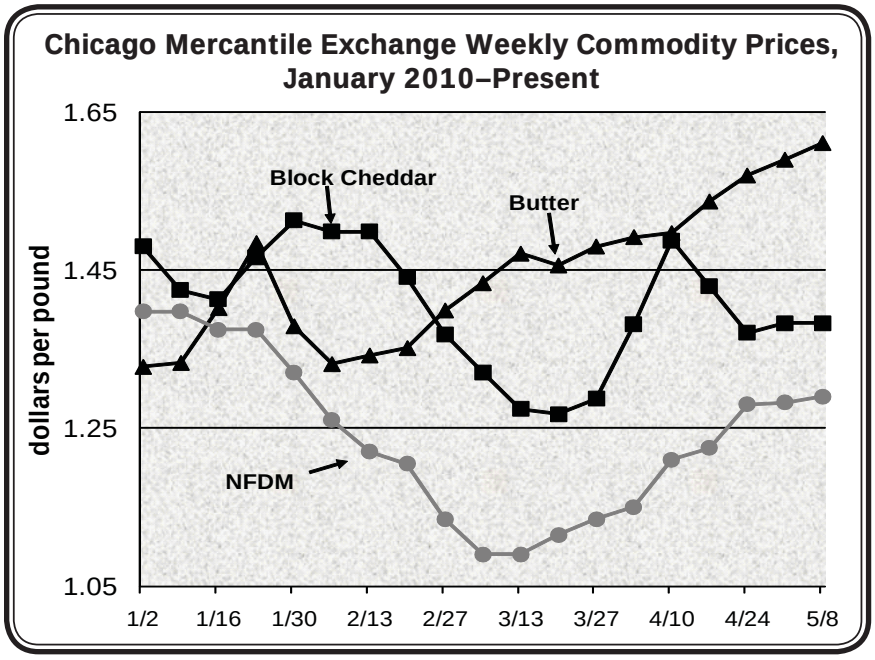
	2010	2009
	$/cwt	
Class I	16.47	13.61
Class II	13.78	10.49
Class III	12.92	10.78
Class IV	13.73	9.82

Market Situation

The April statistical uniform price dropped for the second month in a row. Prices, though $3.00 to $4.00 per hundredweight (cwt) higher than a year ago, have not reached levels predicted at the end of last year. Stronger than expected milk production, high cheese stocks, and the sluggish economy appear to be hampering more significant price recovery.

Prices Higher, But Why Not Even Higher?

Milk production has increased over last year for two months in a row, up 0.9 percent in April for the top-23 milk producing states. Without strong demand, increasing supply will put downward pressure on prices. Though nonfat dry milk and butter stocks have declined to levels near or below 2008 levels, American cheese stocks are the highest since 1986. Demand has not been strong enough relative to supply to reduce cheese stocks to a level that would allow for a larger upward price response. The national economy continues to struggle, but with some indication of turning for the better. The Consumer Confidence Index rose to 57.9 in April, up from 52.3 in March, but still well below 100. The Restaurant Performance Index topped 100 for the first time since November 2007, hitting 100.5 in March. A figure over 100 signals expansion in the industry—a positive sign for domestic dairy demand as considerable volumes of dairy products are consumed in the food service sector.



Class IV, The New Mover

Current price forecasts continue to predict an average annual blend price at Boston for 2010 of about $16.70 per cwt, almost $4.00 more than in 2009. The Class IV price projects to be the Class I mover for the remainder of the year, supported by relative strength in the butter market and, to a lesser degree, the nonfat dry milk market. Butter is currently trading over $1.60 per pound on the Chicago Mercantile Exchange, while nonfat dry milk is above $1.30 per pound. Improved prices in butter and nonfat dry milk have coincided with reduced butter and nonfat dry milk stocks. The accompanying chart shows weekly commodity prices since the beginning of the year.❖

Manufactured Dairy Products—2009 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2009 Summary*. This publication summarizes dairy products manufactured in the United States. All comparisons have been adjusted for leap year in 2008.

Cheese Production

Total cheese production (excluding cottage cheese) grew 2.3 percent in 2009. American cheese production increased 2.6 percent, Italian grew 1.7 percent, and Hispanic cheese rose 6.6 percent.

In the Northeast Order, milk used in cheese production increased 1.6 percent in 2009. Milk used in making American types grew 4.9 percent, while Italian dropped 2.4 percent.

Other Products

Butter production dropped 4.0 percent in 2009; last year it rose 7.0 percent. Yogurt (plain and fruit flavored) jumped 7.6 percent. Nonfat dry milk (NFDM) decreased 0.4 percent; last year it rose 16.7 percent.

In the Northeast Order, milk used in butter production rose 11.8 percent. Milk used in making yogurt jumped 32.6 percent. Milk used the production of dry milk products (both nonfat and whole) increased 1.3 percent from 2008.

Nationally, the production of canned evaporated and condensed whole milk declined 1.6 percent, while unsweetened skim condensed dropped 1.8 percent. The production of both dry whey (for human use) and whey protein concentrate decreased 6.9 percent. During 2008, dry whey declined 4.8 percent and whey protein concentrate rose 12.8 percent.

Leading States

There was no change in the top cheese producing states during 2009: 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. These rankings are based on the states shown in the published 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 (211), followed by New York (112), and California (107). Overall, the number of plants increased 5.0 percent in 2009; of the increase, 32 were in Texas, 10 in Maine, and 8 in Vermont.❖

Component Value by County, January 2010

The January 2010 statistical uniform price was $16.26 per hundredweight for milk containing 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The producer price differential (PPD) was $1.76 per hundredweight. The price announcement also reports the uniform price at average pool component tests. For January 2010, average tests at pool were 3.78 percent butterfat, 3.10 percent protein, and 5.71 percent other solids, resulting in a uniform price at average pool component tests of $16.98 per hundredweight. This means that the average producer on the order received $15.22 per hundredweight for their total component value plus a $1.76 PPD for a total of $16.98 per cwt (if priced at Boston, MA). The actual price received by an individual dairy farmer will vary as the composition of a farm's milk differs from the component benchmarks and the destination of their milk which determines the PPD.

Component Value Portion of Uniform Price

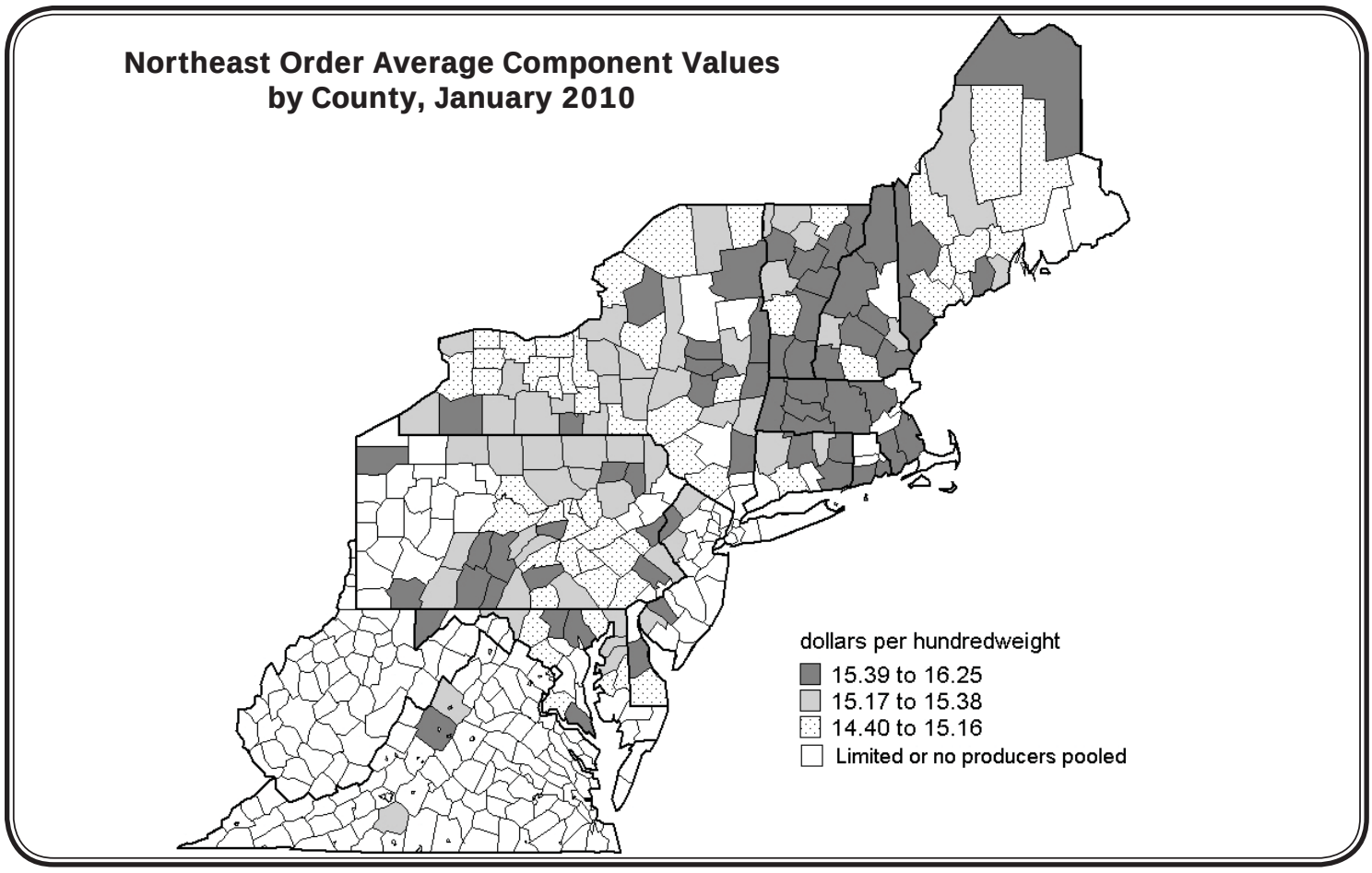
The remainder of this article will discuss just the component value portion of the uniform price, not inculding the PPD portion. With almost 90 percent of the uniform price coming from the value of a producer's components in January, it's obvious that average tests and corresponding pounds of compoenents make an important contribution to the level of a producer's total pay price. The accompanying map depicts ranges of average total component values by county in the traditional milkshed of the Northeast Market Area. Counties that pooled less than 4 producers during any month within the past year are not represented in the data.

Of the 170 counties that are respresented in the data, 102 of them averaged $15.22 per cwt component value (the order average that month) or more. Based on the data, Bennington County, Vermont, producers averaged the highest component value, $16.24 per cwt. Of the 25 counties with the highest average component value, 16 were from the New England region.

Large Production Counties

Seven of the top 10 production counties on the Northeast Order average $15.22 per cwt or less for components. The two largest production counties, Lancaster in Pennsylvania and Cayuga in New York, ranked in the bottom 10 percent of the counties represented for the month of January. The average total component value in Lancaster County, PA, and Cayuga County, NY, was $14.87 and $14.83, respectively. Lewis County, New York, the highest ranked of the top 10 production counties, averaged $15.42 per cwt for components that month.

Within the northeast, differences in climate, breeds of cattle, management practices, and other characteristics of dairy operations can result in varying component levels from region to region. The January 2010 data suggest that high milk production counties seem more likely to be characterized by relatively lower component value than other counties, given the presence of most of the largest 10 production counties below the average component value for the month.❖



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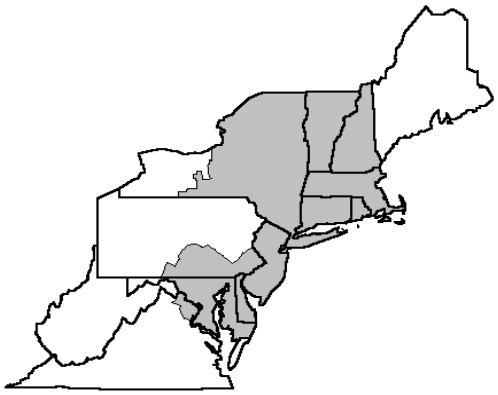
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	854,604,216	$11.44	97,766,722.31	
Butterfat	15,858,772	1.5504	24,587,440.11	
Less: Location Adjustment to Handlers			(3,128,674.94)	$119,225,487.50
Class II— Butterfat	30,261,596	1.5883	48,064,492.89	
Nonfat Solids	35,209,210	0.9467	33,332,559.16	81,397,052.05
Class III— Butterfat	19,070,982	1.5813	30,156,943.88	
Protein	14,950,499	2.1449	32,067,325.30	
Other Solids	28,247,776	0.1702	4,807,771.48	67,032,040.66
Class IV— Butterfat	11,369,478	1.5813	17,978,555.61	
Nonfat Solids	26,586,908	0.9435	25,084,747.71	43,063,303.32
Total Classified Value				**$310,717,883.53**
Add: Overage—All Classes				42,958.70
Inventory Reclassification—All Classes				186,651.66
Other Source Receipts	282,638 Pounds			9,399.26
Total Pool Value				**$310,956,893.15**
Less: Producer Component Valuations @ Class III Component Prices				(276,530,934.46)
Total PPD Value Before Adjustments				**$34,425,958.69**
Add: Location Adjustment to Producers				10,618,600.35
One-half Unobligated Balance—Producer Settlement Fund				1,477,065.83
Less: Producer Settlement Fund—Reserve				(860,666.33)
Total Pool Milk & PPD Value	2,084,975,280 Producer pounds			**$45,660,958.54**
Producer Price Differential		**$2.19**		
Statistical Uniform Price		**$15.11**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

May 2010 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 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $15.91 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 $16.14 per hundredweight. The May statistical uniform price was 80 cents per hundredweight above the April price. The May producer price differential (PPD) at Suffolk County was $2.53 per hundredweight, an increase of 34 cents per hundredweight from last month.

During May, all commodity prices increased resulting in higher class prices. The NASS average butter price rose 10 cents per pound while the nonfat dry milk price increased 13 cents. As a result, the Class IV price rose $1.56 per hundredweight. The cheese price rose 4 cents, translating to a 46-cent increase in the Class III price. This was the lowest of the class prices for the third consecutive month. With all other class prices rising at a greater amount than the Class III price, the spread between Classes I, II, and IV versus Class III widened resulting in a higher PPD.❖

Fluid Milk Product Definition Decision Issued

USDA issued a final decision to amend the fluid milk product definition in all federal milk marketing orders. The final decision is based on the record of a public hearing held in Pittsburgh, PA, on June 20-23, 2005, pursuant to a notice of hearing published April 9, 2005, and a previously issued recommended decision published May 17, 2006.

The decision proposes amendments to the fluid milk product definition under federal milk marketing orders. The fluid milk product definition specifies the compositional standards that define whether a fluid milk product is a Class I product or whether the product qualifies to be in some other class. Under classified pricing (pricing milk based on its use), federal orders assign finished dairy products to one of four classes. The classification determines the applicable minimum federal order price that handlers must pay for the milk utilized to produce the respective product.

Specifically, the decision maintains the current fluid milk product definition minimum standard of 6.5 percent nonfat milk solids while adopting an equivalent 2.25 percent true protein content for determining if a product meets the compositional standard for Class I. The decision

(continued on page 3)

Pool Summary

- A total of 13,374 producers were pooled under the Order with an average daily delivery per producer of 5,254 pounds, the highest ever reported under the Order.
- Pooled milk receipts totaled 2.178 billion pounds, an increase of 1.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.7 percent of total milk receipts, a decrease of 2.1 percentage points from April.
- The average butterfat test of producer receipts was 3.62 percent.
- The average true protein test of producer receipts was 3.00 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.7	865,557,556
Class II	21.1	459,317,046
Class III	24.3	528,070,831
Class IV	14.9	325,269,457
Total Pooled Milk		2,178,214,890

Producer Component Prices

	2010	2009
	$/lb	
Protein Price	2.1523	1.7454
Butterfat Price	1.7058	1.2648
Other Solids Price	0.1704	0.0336

Class Price Factors

	2010	2009
	$/cwt	
Class I	17.05	14.22
Class II	14.90	10.71
Class III	13.38	9.84
Class IV	15.29	10.14

Class IV Prices Higher than Class III

The Advanced Class IV Skim Milk Pricing Factor has been used to set the Base Skim Milk Price for Class I for four of the first 6 months of 2010, including the two most recent months. In addition, the Class IV price has been higher than the Class III price for the past three months. These two trends in class prices can be attributed, at least in part, to trends in the stocks of commodities that are used to establish these prices.

Class Prices Related to the Commodity Prices

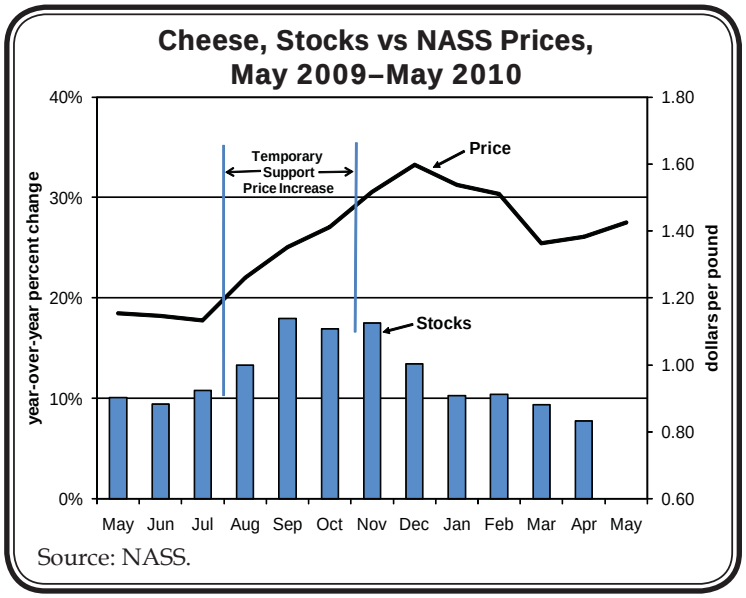
The Advanced Class IV Skim Milk Pricing Factor is established using the National Agricultural Statistics Service (NASS) nonfat dry milk price. The Advanced Class III Skim Milk Pricing Factor is largely affected by the NASS price of cheese and, to a lesser extent, NASS prices of dry whey and butter. Relative weakness in NASS cheese prices have led, in part, to a lower Advanced Class III Skim Milk Pricing Factor. On the other hand, relative strength in the NASS nonfat dry milk price (where the NASS monthly NFDM has been over $1.00 per pound all year and $1.25 per pound in May) has boosted the Advanced Class IV Skim Milk Pricing Factor.

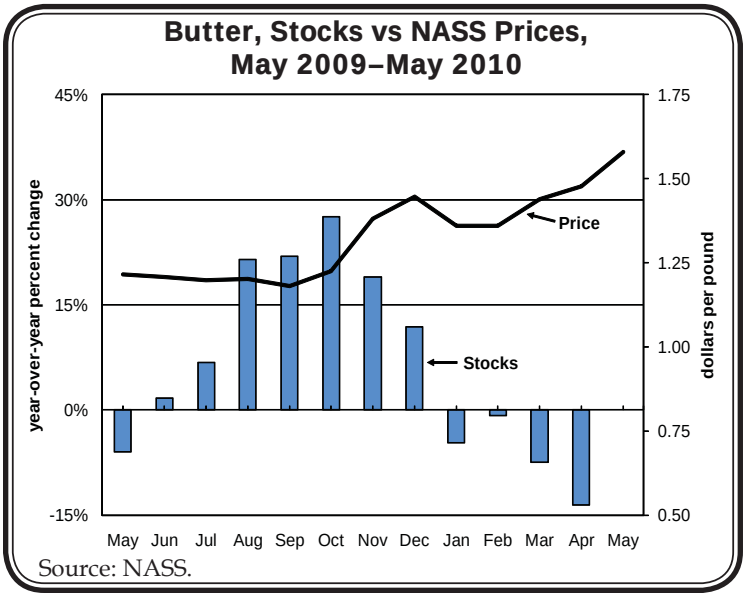
Commodity Prices Related to Commodity Stocks

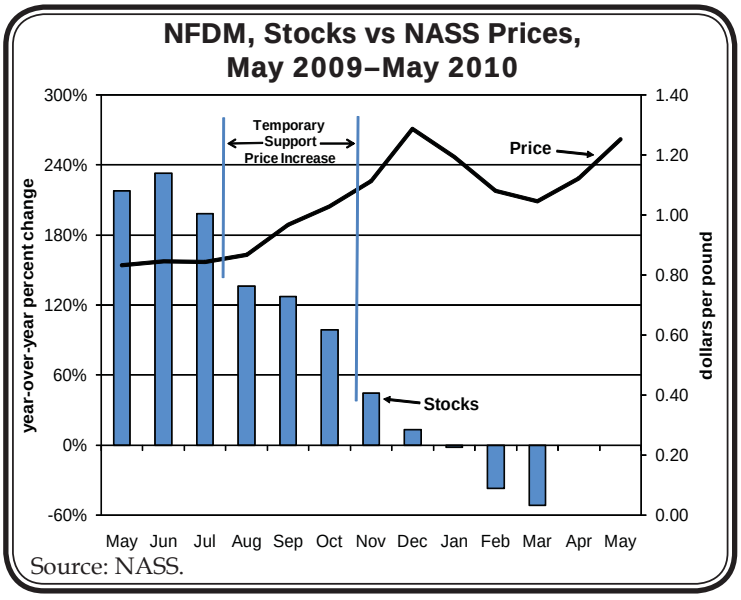
Knowing which commodities impact which prices, the relationship between the stocks of those commodities and the resulting class prices can be seen. The accompanying charts show commodity stocks versus their respective NASS prices. Month ending stocks of natural cheese (as defined by the NASS Cold Storage Report) have been higher than the previous year for 24 consecutive months and were over 1 billion pounds in March and April. These near record high levels of cheese stocks added to the supply equation make it difficult to sustain any strength in the NASS cheese price. Stocks of butter, whose price can bolster the Class IV price, have been below year ago levels all year, and increasingly so. The result of tighter butter stocks and consistent current demand was the highest monthly price for butter since November 2008 ($1.5801 per pound for May). Nonfat dry milk stocks also have been below last year's levels since January, and in March, were less than half of the previous year. NASS NFDM prices, which averaged $0.92 per pound last year, have been averaging $1.14 per pound so far this year. Combined, the NASS butter and NFDM prices have resulted in a May Class IV price of $15.29, the highest Class IV price since September 2008.

Implications for Prices Going Forward

The stocks situation would imply that we can expect stronger Class IV prices than Class III prices for much of, if not all, the remainder of the year. Additionally, the Class I price may be established using the Advanced Class IV Skim Milk Pricing Factor for much of the remainder of the year. Stronger than expected milk production may make milk price increases more difficult without significant improvements in demand. Current Chicago Mercantile Exchange futures prices for the remainder of 2010 range from $1.58 - $1.70 per pound for butter and $1.18 - $1.26 per pound for NFDM.❖







Sales by Non Northeast Order Handlers Continues to Increase

The Northeast Marketing Area (NMA) reported a significant increase in Class I sales by handlers not designated as pool distributing plants under the order (plants that bottle and sell Class I milk products in the NMA.) From 2008 to 2009, the total volume of Class I sales in the NMA by non-regulated handlers increased by 25.0 percent, and over the past 5 years has increased 82.3 percent. These figures have been adjusted for leap years in 2004 and 2008.

Sales in the Northeast Marketing Area by Handler Type

Year	Other Fed Orders	Partially Regulated	Producer Handlers	Exempt Distributors	Total Non NE Order	Fully Regulated Pool Distributors	Total In-Area Sales
				million pounds			
2009	298.6	167.5	140.5	36.4	643.0	8,811.0	9,454.0
2008	208.8	136.4	133.0	37.6	515.8	8,961.1	9,476.9
2004	100.0	139.9	74.6	39.2	353.7	9,208.0	9,561.7
Percentage of Sales:				percent			
2009	3.2	1.8	1.5	0.4	6.8	93.2	100.0
2008	2.2	1.4	1.4	0.4	5.4	94.6	100.0
2004	1.0	1.5	0.8	0.4	3.7	96.3	100.0
Change in Sales:							
2009-2008	43.4	23.1	5.9	(2.9)	25.0	(1.4)	0.0
2009-2004	199.4	20.1	88.9	(6.9)	82.3	(4.1)	(0.9)

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

Handler Definitions

These handlers (non NMA) include producer-handlers (handlers who operate a dairy farm and a processing plant that has route sales in the NMA), exempt distributing plants (operations such as colleges and governmental agencies and those having sales less than 150,000 pounds a month) partially regulated handlers (operate plants that are not fully regulated under any federal order, but have route sales in the NMA and possibly also in one or more other federal orders), and handlers regulated by other federal orders (operate plants regulated by another federal milk marketing order, but have sales of packaged product in the NMA). Sales include packaged products sold in the marketing area, but not transfers of bulk product to plants regulated under the NMA. Overall, these handlers accounted for 6.8 percent (643.0 million pounds) of total route sales in the marketing area, up from 5.4 percent in 2008 and 3.7 percent in 2004.

Sales by Type of Handler

The largest proportion of sales in the NMA from non Northeast order handlers comes from handlers regulated by other federal orders (3.2 percent of total in-area sales.) In total volume, these sales grew about 100 million pounds from 2008 to 2009, and have almost tripled since 2004. The majority of the other federal order sales (85.7 percent) came from handlers regulated by the neighboring Mideast Order (#33.) In volume, handlers from the Mideast Order have increased their NMA sales from 81.1 million pounds in 2004 to 255.9 million pounds in 2009 largely due to a Mideast handler gaining additional accounts supplying to the NMA. Partially regulated handlers accounted for the second largest portion of non Northeast order handler sales, followed by producer-handlers (see accompanying table.)

Exempt Handlers are the only non regulated group whose sales have decreased within the NMA (down 6.9 percent from 2004). The total volume, and corresponding percentage, of all in-area sales accounted for by fully regulated pool handlers has declined also.

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

Market Service Tank Calibrations

The Market Service department's bulk tank calibration trucks have been performing calibration checks of non-member producers' tanks. See the schedule for the remainder of 2010:

Tentative Calibration Truck Schedule, 2010

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

Fluid Milk Product *(continued from page 1)*

also specifies how milk and milk derived ingredients should be priced under all federal milk marketing orders when used in products meeting the fluid milk product definition. Under the decision, drinkable yogurt products containing at least 20 percent yogurt (by weight), kefir, infant formulas, dietary products (meal replacements) and other products that may contain milk derived ingredients from the fluid milk product definition would be exempted from the Class I definition.

The decision can be downloaded from the following website**: http://www.ams.usda.gov/AMSv1.0/dairy.** A producer referendum on this decision is underway.❖

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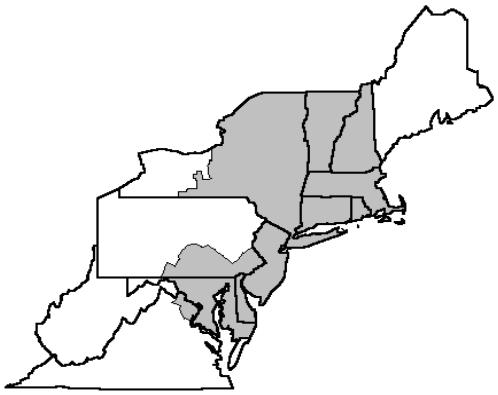
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	849,822,094	$11.78	100,109,042.67	
Butterfat	15,735,462	1.6245	25,562,258.02	
Less: Location Adjustment to Handlers			(3,111,810.54)	$122,559,490.06
Class II— Butterfat	31,454,977	1.7128	53,876,084.58	
Nonfat Solids	38,739,096	1.0256	39,730,816.81	93,606,901.39
Class III– Butterfat	20,295,304	1.7058	34,619,729.57	
Protein	15,888,106	2.1523	34,195,970.57	
Other Solids	30,161,316	0.1704	5,139,488.26	73,955,188.40
Class IV– Butterfat	11,301,596	1.7058	19,278,262.46	
Nonfat Solids	28,435,936	1.0734	30,523,133.70	49,801,396.16
Total Classified Value				**$339,922,976.01**
Add: Overage—All Classes				12,050.64
Inventory Reclassification—All Classes				162,108.86
Other Source Receipts	178,951 Pounds			6,533.20
Total Pool Value				**$340,103,668.71**
Less: Producer Component Valuations @ Class III Component Prices				(296,433,651.66)
Total PPD Value Before Adjustments				**$43,670,017.05**
Add: Location Adjustment to Producers				11,176,529.60
One-half Unobligated Balance—Producer Settlement Fund				1,191,281.31
Less: Producer Settlement Fund—Reserve				(924,463.73)
Total Pool Milk & PPD Value	2,178,393,841 Producer pounds			**$55,113,364.23**
Producer Price Differential		**$2.53**		
Statistical Uniform Price		**$15.91**		

* 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 2010 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 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.73 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 $16.75 per hundredweight. The June statistical uniform price was 82 cents per hundredweight above the May price. The June producer price differential (PPD) at Suffolk County was $3.11 per hundredweight, an increase of 58 cents per hundredweight from last month.

During June, all commodity prices increased resulting in higher component and class prices. Announced in advance and using data from May, the Class I and II prices had the largest increases rising $1.48 and $1.11 per hundredweight, respectively. With NASS butter and nonfat dry milk prices relatively strong compared to cheese prices, the Class III price continued to be the lowest of the class prices. The spread between the other classes and the Class II price again widened resulting in a higher PPD.

For the first time since the Order's inception, producer milk receipts on a per day basis rose from May to June (0.1 percent); normally, June's per day volume decreases by at least 3 percent from May. The Class II volume has set a record as the largest for that particular month during each month of 2010. The average daily deliveries per producer have set record-highs for the past 4 months of 2010, including June.

The average producer butterfat test for June was the second lowest recorded for June since the Order's inception; the average producer other solids test was the second highest recorded for June. See the related article below comparing tests and volumes.❖

Milk Receipts Increasing as Component Tests Decline

Milk receipts pooled on the Northeast Order have steadily increased since November 2009, as evidenced by 8 straight months of positive year over year growth in per day receipts. This includes a four month period from January through April of 2010 where per day receipts grew by over 2.5 percent each month. While per day receipts have shown strength, average producer component tests at pool have sagged. To a certain

(continued on page 3)

Pool Summary

- A total of 13,357 producers were pooled under the Order with an average daily delivery per producer of 5,266 pounds.
- Pooled milk receipts totaled 2.11 billion pounds, an increase of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.6 percent of total milk receipts, a decrease of 1.1 percentage points from May.
- The average butterfat test of producer receipts was 3.56 percent.
- The average true protein test of producer receipts was 2.95 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.6	814,699,028
Class II	21.7	457,594,084
Class III	27.0	568,737,843
Class IV	12.7	268,972,976
Total Pooled Milk		2,110,003,931

Producer Component Prices

	2010	2009
	$/lb	
Protein Price	2.2040	1.7283
Butterfat Price	1.7234	1.2544
Other Solids Price	0.1748	0.0723

Class Price Factors

	2010	2009
	$/cwt	
Class I	18.53	13.33
Class II	16.01	10.79
Class III	13.62	9.97
Class IV	15.45	10.22

Dairy Exports

In recent *Bulletins*, the role demand would play in price recovery was discussed. Dairy exports are an important contributor to overall dairy demand. According to the U.S. Dairy Export Council, U.S. dairy export value more than doubled to $357.4 million in May 2010 compared to May 2009, the highest total since May 2008.

By volume, all major categories gained. Nonfat dry milk (NFDM) and skim milk powder (SMP) exports grew 98 percent to over 40 thousand tons, the highest since June 2008. Exports of NFDM and SMP have increased every month this year, and are up 37 percent year to date. Southeast Asia accounted for much of the strength in these sales, particularly to Indonesia, the Philippines, and Malaysia.

Whey protein exports set a new record in May, increasing 54 percent to over 44 thousand tons. China and Southeast Asia accounted for more than half of all May shipments. For the year, U.S. whey protein shipments grew 36 percent.

Cheese exports set an all-time high, growing 105 percent over May 2009 to over 16 thousand tons. Leading destinations for cheese were Mexico, South Korea, and Japan, which grew by 85, 142, and 90 percent, respectively.

Lactose exports increased by 30 percent from May 2009. Shipments to Southeast Asia and Japan accounted for 41 percent of all U.S. lactose exports. Butterfat exports grew 266 percent to over 6 thousand tons.

During the first five months of 2010, U.S. exports were equivalent to 11.4 percent of the total milk solids produced in the United States. By product, exports were equivalent to 34 percent of the NFDM/SMP produced, 66 percent of the whey proteins, 62 percent of the lactose, 3.3 percent of the cheese, and 6.1 percent of the butter.

U.S. export strength can be attributed to U.S. products being competitively priced on world markets and Oceania production falling short of early season forecasts.❖

Utilization Changes From Last Year and Five Years Ago

For the first 6 months of 2010, utilization of milk products and cream by pool plants increased 2.0 percent from the same period in 2009 and 1.8 percent from the same period in 2005. The accompanying table shows changes for selected products by class.

Class I usage increased a slight 0.4 percent during the first six months compared to last year, but declined 2.8 percent from 5 years ago. Declines occurred in whole milk, flavored milk and drinks, and reduced fat from both periods. Lowfat increased slightly from 2009 and 5.1 percent from 2005; fatfree was nearly flat. Organic milk showed an increase of 5.9 percent from 2009; organic data was not collected separately in 2005.

Class II utilization jumped 9.1 percent from 2009 and 7.8 percent from 2005. As mentioned on page 1, Class II usage has set records not only during each month this year, but in eleven out of the past twelve months; December was the only exception. Prepared products, which include bakery, candy, soups, and puddings, jumped 15.6 percent from 2009, compared to 1.2 percent from 2005. Double-digit increases occurred in ice cream from both periods. Yogurt declined 5.7 percent from 2005, but jumped 14.7 percent from 2009 thanks to the addition of some Greek-style yogurt operations in the Northeast. Cottage cheese dropped 22.2 percent from 2005, but increased 4.5 percent from 2009. Ricotta cheese declined during both periods, while packaged cream rose.

Class III usage rose 3.1 percent from 2009 and 8.7 percent from 2005 with increases in American cheese and Swiss and other-type cheeses in both periods. The Swiss and other category includes Hispanic, Feta, and other ethnic cheeses, but not Italian. Cream cheese declined slightly from 2009, but rose 17.1 percent from 2005. Italian cheese was nearly flat from 2009, but down 7.5 percent from 2005.

Class IV utilization declined 2.9 percent from 2009 and 0.9 from 2005. Butter was up 18.6 percent and 5.6 percent from 2009 and 2005, respectively. Condensed products were down 22.6 percent from 2009 and 46.1 percent from 2005. Dried products were nearly flat from 2009 and up 1.8 percent from 2005.❖

Northeast Order Utilization for Selected Products, January–June, 2010 vs. 2009 and 2005

	Product	Volume in* million pounds	Percent Change from 2009	Percent Change from 2005
Class I	Whole	1,353.0	(4.7)	(21.1)
	Fatfree	719.3	(0.1)	0.7
	Flavored	269.1	(2.7)	(13.7)
	*Total Class I***	5,664.6	(0.7)	(2.8)
Class II	Prepared Foods	315.2	15.6	1.2
	Yogurt	244.1	14.7	(5.7)
	Ice Cream	993.3	12.3	36.5
	Total Class II	2,730.6	9.1	7.8
Class III	American	950.9	5.9	20.0
	Italian	1,382.8	(0.1)	(7.5)
	Swiss & Other	210.6	21.8	49.1
	Total Class III	2,962.8	3.1	8.7
Class IV	Condensed	74.4	(22.6)	(46.1)
	Butter	116.4	18.6	5.6
	Dried Products	1,465.8	(0.3)	1.8
	Total Class IV	2,316.2	(2.9)	(0.9)
Total Utilization		13,720.3	2.0	1.8

* 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, 2009–2010

Federal Order Number	Federal Order Name	Total Producer Milk 2009	Total Producer Milk 2010	Change	Producer Price Differential# 2009	Producer Price Differential# 2010	Statistical Uniform Price#* 2009	Statistical Uniform Price#* 2010
		pounds		percent	dollars per hundredweight			
1	Northeast	12,073,098,375	12,227,694,702	1.3	2.09	2.40	12.27	15.98
5	Appalachian	3,025,288,161	3,061,408,416	1.2	N/A	N/A	13.43	16.93
6	Florida	1,560,321,822	1,468,564,347	(5.9)	N/A	N/A	15.64	19.16
7	Southeast	3,744,243,856	3,612,843,313	(3.5)	N/A	N/A	13.58	17.04
30	Upper Midwest	16,351,094,218	17,249,957,949	5.5	0.41	0.40	10.59	13.98
32	Central	6,755,867,916	6,486,324,856	(4.0)	0.77	0.94	10.96	14.52
33	Mideast	8,416,253,148	8,335,703,465	(1.0)	1.20	1.35	11.39	14.93
124	Pacific Northwest	3,858,975,635	4,022,740,346	4.2	0.72	0.91	10.91	14.49
126	Southwest	5,880,545,884	5,653,287,792	(3.9)	1.75	2.01	11.94	15.59
131	Arizona	2,177,023,956	2,190,290,934	0.6	N/A	N/A	11.16	14.87
All Market Total/Average		63,842,712,971	64,308,816,120	0.7	1.16	1.33	12.19	15.75

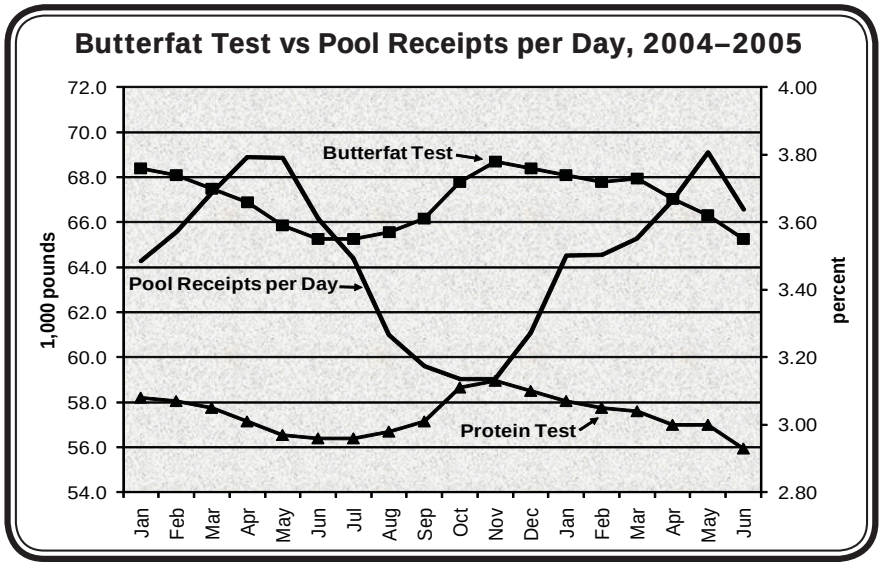
Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.

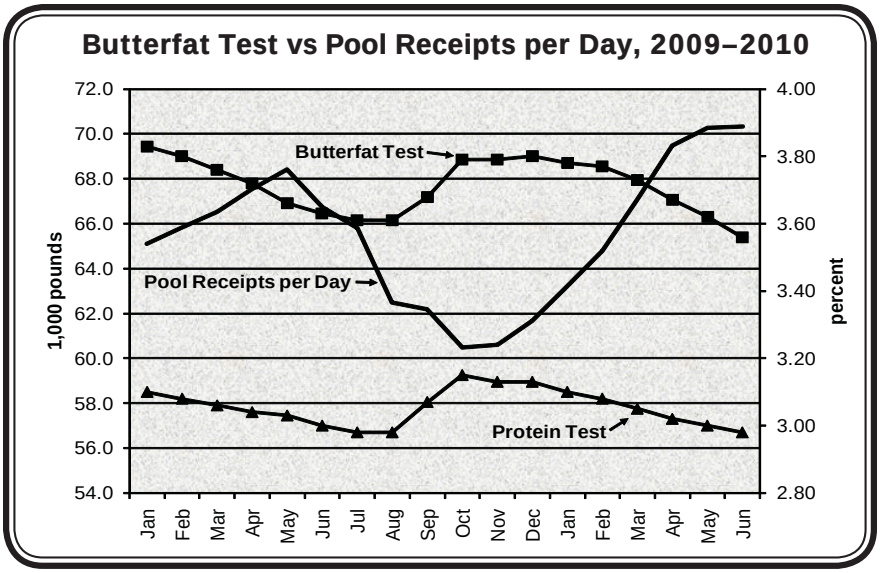
Milk Receipt Increasing *(continued from page 1)*

degree, a seasonal decline in butterfat and protein tests is expected this time of year. However, butterfat and protein tests are averaging lower than they have been for some time, and in the case of butterfat, have been close to record lows.

A Negative Correlation?

It is generally accepted that there is a negative correlation between butterfat and protein percentages and milk production. One explanation for this result is that increased volume of milk tends to dilute the quantity of butterfat and protein produced by the cow to some degree. The accompanying charts show Northeast Order pool receipts per day compared to average protein and butterfat tests at pool for two similar periods characterized by declining and then increasing milk receipts per day. The images appear to depict the negative correlation discussed here. It should be noted that this negative correlation also can be attributable to, or be affected in either direction by, many factors including feeding practices and non-nutritional factors such as, but not limited to: genetics, days in milk, infections, temperature and humidity.





According to a July 2010 North Dakota State University study, 55 percent of the variation in milk composition is due to genetics, while 45 percent is due to environmental factors such as feeding management. The milk-feed price ratio (a measure of relative profitability of producing milk in which numbers below 2.5 would indicate contraction in milk supply) has been below 2.5 since January 2008. The ratio has been between 2.18 and 2.35 this year to date. It is not surprising then to see low average component tests since the cost of supplementing feed is relatively high. It is a bit surprising to see surging milk production in such an environment.❖

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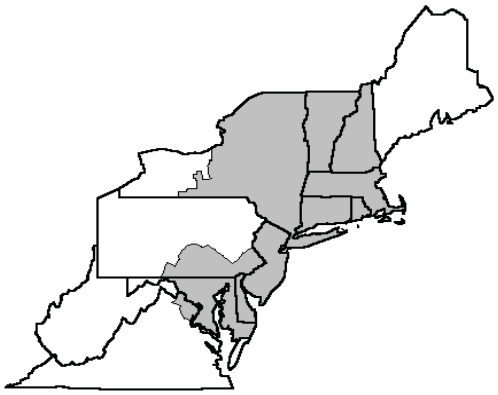
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	799,554,944	$12.86	102,822,765.80	
Butterfat	15,144,084	1.7480	26,471,858.83	
Less: Location Adjustment to Handlers			(2,971,779.98)	$126,322,844.68
Class II— Butterfat	31,014,052	1.7304	53,666,715.60	
Nonfat Solids	38,394,728	1.1456	43,985,000.41	97,651,716.01
Class III— Butterfat	20,334,503	1.7234	35,044,482.48	
Protein	16,893,290	2.2040	37,232,811.14	
Other Solids	32,570,492	0.1748	5,693,321.98	77,970,615.60
Class IV— Butterfat	8,557,545	1.7234	14,748,073.03	
Nonfat Solids	23,464,581	1.0843	25,442,645.20	40,190,718.23
Total Classified Value				**$342,135,894.52**
Add: Overage—All Classes				25,747.56
Inventory Reclassification—All Classes				(94,891.98)
Other Source Receipts	186,682 Pounds			8,242.92
Total Pool Value				**$342,074,993.02**
Less: Producer Component Valuations @ Class III Component Prices				(287,876,740.77)
Total PPD Value Before Adjustments				**$54,198,252.25**
Add: Location Adjustment to Producers				11,213,862.14
One-half Unobligated Balance—Producer Settlement Fund				1,159,656.55
Less: Producer Settlement Fund—Reserve				(944,842.91)
Total Pool Milk & PPD Value	2,110,190,613 Producer pounds			**$65,626,928.03**
Producer Price Differential		**$3.11**		
Statistical Uniform Price		**$16.73**		

* 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 2010 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 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.43 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 $17.37 per hundredweight. The July statistical uniform price was 70 cents per hundredweight above the June price. The July producer price differential (PPD) at Suffolk County was $3.69 per hundredweight, an increase of 58 cents per hundredweight from last month.

During July, commodity cheese prices rose slightly, nonfat dry milk and dry whey declined, and butter jumped 14 cents per pound. This resulted in a higher butterfat component price, but declines in protein, and nonfat and other solids prices. All class prices increased since they all have a butterfat component in their respective formulas. The Class II price had the largest increase, $1.09 per hundredweight, and with considerable volume of producer receipts used for Class II purposes (largely ice cream), increased its contribution to the total pool value. Class I volume was higher than predicted, the largest volume for July since 2004. This, combined with the highest Class I price since January 2009 (the August Class I price is even higher at $19.02 per hundredweight), also contributed significantly to the highest total pool value since September 2008.

The Class II volume has set a record as the largest for that particular month during each month of 2010, and July's volume was the highest on record for all months since the Order's inception. After setting records each of the past 4 months as the highest average daily deliveries per producer (DDP) for that respective month, July's DDP dropped. The average producer butterfat test for July was the lowest since August 2005; protein was the lowest since July 2006.❖

Midyear Price Outlook and Review

In the November 2009 *Bulletin*, we reported that representatives attending the Northeast Regional Dairy Outlook Conference were predicting, as a group, an average uniform price of $17.12 per hundredweight (cwt) for 2010, as reported at Boston, Massachusetts. The prediction included an average uniform price of $16.68 per cwt for the first 6 months of the year. The uniform price in fact has *(continued on page 3)*

Pool Summary

- A total of 13,554 producers were pooled under the Order with an average daily delivery per producer of 4,989 pounds.
- Pooled milk receipts totaled 2.096 billion pounds, a decrease of 3.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.2 percent of total milk receipts, an increase of 1.6 percentage points from June.
- The average butterfat test of producer receipts was 3.54 percent.
- The average true protein test of producer receipts was 2.93 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.2	843,171,092
Class II	22.8	476,544,172
Class III	26.5	555,970,425
Class IV	10.5	220,698,337
Total Pooled Milk		2,096,384,026

Producer Component Prices

	2010	2009
	$/lb	
Protein Price	2.0515	1.6970
Butterfat Price	1.8964	1.2438
Other Solids Price	0.1700	0.0949

Class Price Factors

	2010	2009
	$/cwt	
Class I	18.91	13.51
Class II	17.10	10.87
Class III	13.74	9.97
Class IV	15.75	10.15

Milk Production Compared to Receipts Pooled on the Order

During the first 6 months of 2010, milk production in the United States totaled 97.1 billion pounds, an increase of 0.8 percent from the same period in 2009. During January–June last year, U.S. milk production rose 0.3 percent compared to the same six-month period of 2008. Milk pooled on the Northeast Order increased by 1.3 percent for January–June 2010 compared to the same period in 2009. The accompanying table shows changes in milk production and producer receipts for the first 6 months of 2009 and 2010.

Top Ten States Ranked by Milk Production and Northeast Order Pooled Receipts, January–June 2010

Rank	State	2009	2010	Percent Change
		million pounds		
1	California	20,325	20,311	(0.1)
2	Wisconsin	12,458	13,160	5.6
3	New York	6,293	6,321	0.4
4	Idaho	5,995	6,185	3.2
5	Pennsylvania	5,360	5,410	0.9
6	Minnesota	4,519	4,637	2.6
7	Texas	4,570	4,447	(2.7)
8	Michigan	3,972	4,136	4.1
9	New Mexico	4,071	3,963	(2.7)
10	Washington	2,764	2,932	6.1
Top 10 States Total		70,327	71,502	1.7
National Total		96,262	97,076	0.8
Pooled Receipts		12,073	12,228	1.3

Source: NASS, *Milk Production.*

National Production

Nationally, the number of milk cows was down 1.2 percent for the first 6 months compared to the same period last year. The overall increase in production came from a 2.8 percent increase in milk production per cow.

California, Wisconsin, and New York continue to be the top three milk producing states, closely followed by Idaho. The top ten states accounted for 73.7 percent of total U.S. milk production. Washington showed the largest growth in milk production out of the top ten states with an increase of 6.1 percent for the six-month period. Wisconsin reported an increase of 5.6 percent, over 700 million pounds—the largest volume increase of any state. In addition to Wisconsin, both Minnesota and Michigan, each a large contributor in the Upper Midwest, showed growth (2.6 and 4.1 percent, respectively). Together those 3 states reported an increase of 4.7 percent; in recent years, those states have reported declines in milk production. In contrast, states such as California, New Mexico, and Texas that had reported significant growth in recent years, showed flat or declining production for the six-month period. Together those 3 states had a decline of 0.8 percent.

In the Northeast, milk production increased by only 0.4 percent for the period. The states making up New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) had a combined increase of 1.5 percent, but this was offset by the declining production in states such as Delaware, Maryland, New Jersey, Virginia, and West Virginia and the modest growth in New York and Pennsylvania. The top 3 contributing states for the Northeast Marketing Area (New York, Pennsylvania, and Vermont) had a combined increase of 0.8 percent, equivalent to the national average.

Pooled Receipts

As mentioned above, pooled milk receipts on the Northeast Order grew 1.3 percent for the six-month period; a greater increase than the Northeast states combined average. The pooled increase largely is due to changes in pooling. Beginning in April 2010, a large pool distributing plant formerly pooled on the neighboring Mideast Order became a pool plant on the Northeast Order.❖

Dairy Products Update

In last month's *Bulletin*, we highlighted changes in utilization in the Northeast Order and the changes in specific products within the various classes. Interestingly, some of the changes reported in the Northeast seem to run counter to the overall production of certain dairy products as reported by the National Agricultural Statistics Service (NASS) in their monthly *Dairy Products* publication.

Production

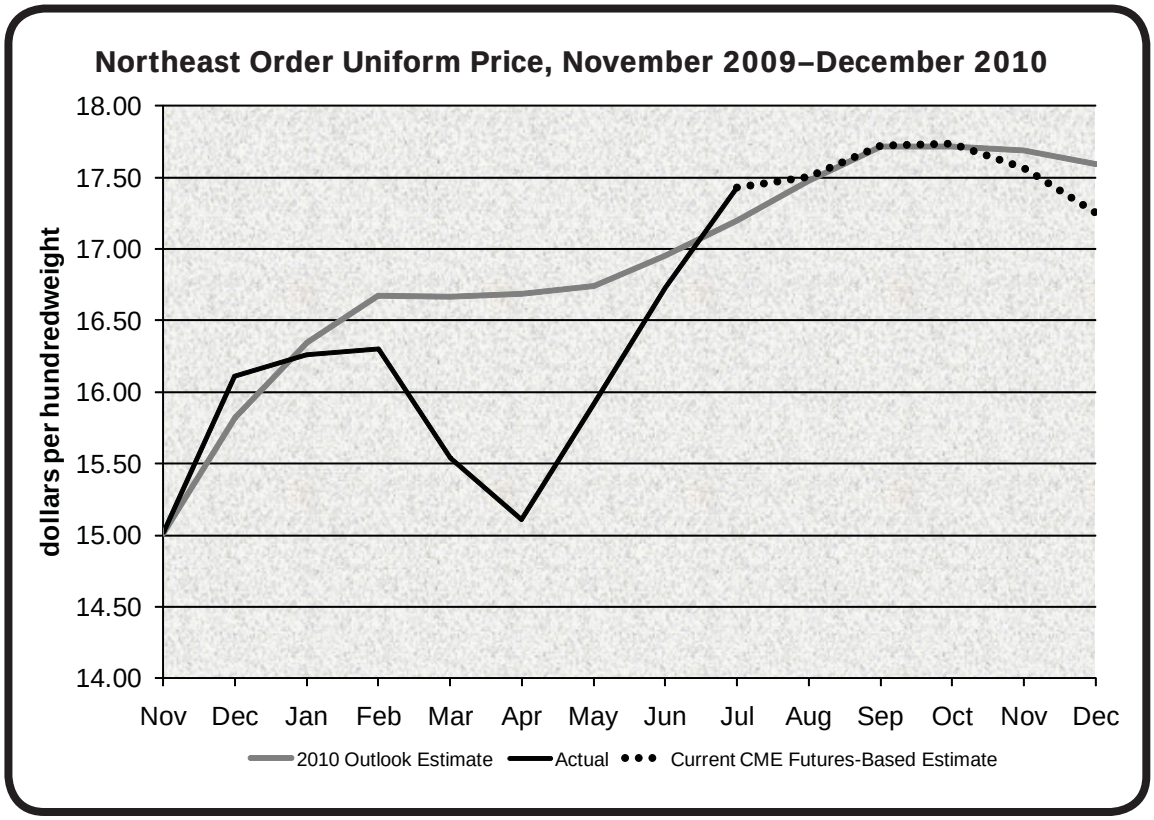
Nationally, total cheese manufactured was up 2.5 percent for January–June 2010 as compared to the same period in 2009. American cheese types were up only 0.2 percent; in the Northeast Milk Marketing Area (NMMA), milk utilized in making American cheese was up 5.9 percent compared to the first 6 months of last year. Nationally, Italian cheese production grew 5.7 percent for the January–June period; in the NMMA, milk used to make Italian cheese declined 0.1 percent. Mozzarella was the driving force nationally, increasing 7.0 percent while other Italian types decline 6.2 percent. U.S. butter production decline 6.2 percent from last year; in the NMMA, milk utilized in butter jumped 18.6 percent. The production of regular hard ice cream dropped 1.0 percent nationally while lowfat ice cream production rose 4.7 percent. In the NMMA, milk used to make ice cream grew 12.3 percent from the previous year. Yogurt production showed growth of 7.2 percent nationally and 14.7 percent in the NMMA.

Stocks

Stocks of product in all warehouses as reported by NASS' *Cold Storage* showed butter declining 24.7 percent *(continued on page 3)*

Midyear Prices *(continued from page 1)*

averaged $15.98 per cwt through the first half of 2010, $3.71 per cwt higher than the same period last year. The accompanying chart shows the original uniform price estimate made in November 2009 versus the actual uniform price from January through July 2010 and current projections for the remainder of the year.



Noticeable in the chart is a dip in prices from March through May, where the actual price did not meet earlier expectations. A Milk Income Loss Contract payment was triggered during the month of April when the Class I price was $16.47 per cwt in Boston, Massachusetts. The June and July uniform price, as well as current projections for the remainder of the year based on Chicago Mercantile Exchange (CME) Class III and Class IV futures prices on August 9 return much closer to the expectations that existed before the year started. The August Class I price topped $19.00 per cwt for the first time since November 2008. The annual average uniform price for 2010 at Boston, Massachusetts, is predicted to be $16.59 per cwt.

The initial projections made by the group in the Fall of 2009 included expectations that milk production in the Northeast would decline by about 0.5 percent in 2010 and by about 1 percent nationally. Contrary to those expectations, nationally, milk production has risen each month over last year from March to June. In the Northeast, production in Pennsylvania and Vermont also have been positive during those same months. Production in New York has been positive for three months and negative for three months so far in 2010. The stronger than expected production is driven by improvements in milk per cow. Such improvements are somewhat of a surprise in an economic environment that includes relatively high feed and other costs. See related article on milk production.

Since National Agricultural Statistics Service (NASS) prices tend to track closely with but follow CME prices, a look at CME prices can give an idea of where near future NASS prices may be headed. As of August 13, the CME block cheese price was trading at over $1.60 per pound. Butter was trading at over $1.90 per pound, the first time butter has traded above $1.90 per pound since December 2004. CME cheese futures are currently trading between $1.57 and $1.64 per pound through December. CME butter futures remain above $1.80 per pound through November. Nonfat dry milk futures prices for the remainder of the year are currently trading near $1.16 per pound, below the current price level of about $1.22 per pound.

Factors such as milk production, level of stocks, and domestic and foreign demand for U.S. dairy products will all have a bearing on how the remainder of the year plays out.❖

Dairy Products *(continued from page 2)*

from last year as of June 30, 2010. According to USDA's *Dairy Market News*, cream is tight, and demand is good, so it is not surprising that butter prices as surveyed by NASS have been increasing, reaching $1.8025 per pound as of August 7. Similarly, prices on the Chicago Mercantile Exchange (CME) were $1.9175 per pound as of August 13. Conversely, stocks of American cheese were up 4.4 percent over June 2009 and the highest since November 1984. With such record-setting stocks it is somewhat surprising that block cheddar and barrel cheese prices surveyed by NASS show increases from $1.40 to $1.55 per pound for the month of July; they were at $1.58 per pound as of August 7. Block cheddar prices on the CME were $1.6200 and barrel prices were $1.5850 per pound as of August 13.❖

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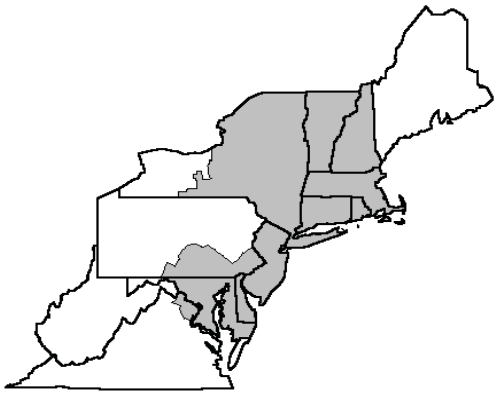
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	827,223,846	$13.37	110,599,828.21	
Butterfat	15,947,246	1.7164	27,371,853.03	
Less: Location Adjustment to Handlers			(3,075,253.67)	$134,896,427.54
Class II— Butterfat	30,799,856	1.9034	58,624,445.89	
Nonfat Solids	39,834,932	1.2022	47,889,555.27	106,514,001.16
Class III– Butterfat	20,151,129	1.8964	38,214,601.07	
Protein	16,355,669	2.0515	33,553,654.97	
Other Solids	31,604,542	0.1700	5,372,772.14	77,141,028.18
Class IV– Butterfat	7,223,646	1.8964	13,698,922.30	
Nonfat Solids	19,123,395	1.0493	20,066,178.38	33,765,100.68
Total Classified Value				**$352,316,557.56**
Add: Overage—All Classes				241,469.30
Inventory Reclassification—All Classes				189,925.84
Other Source Receipts	160,222 Pounds			8,910.24
Total Pool Value				**$352,756,862.94**
Less: Producer Component Valuations @ Class III Component Prices				(286,768,017.35)
Total PPD Value Before Adjustments				**$65,988,845.59**
Add: Location Adjustment to Producers				11,168,016.05
One-half Unobligated Balance—Producer Settlement Fund				1,084,484.29
Less: Producer Settlement Fund—Reserve				(878,863.17)
Total Pool Milk & PPD Value	2,096,544,248 Producer pounds			**$77,362,482.76**
Producer Price Differential		**$3.69**		
Statistical Uniform Price		**$17.43**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

August 2010 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 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.74 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 $17.81 per hundredweight. The August statistical uniform price was 31 cents per hundredweight above the July price. The August producer price differential (PPD) at Suffolk County was $2.56 per hundredweight, a decrease of $1.13 per hundredweight from last month.

During August, commodity cheese and butter prices rose while nonfat dry milk and dry whey declined. The Class III price jumped $1.44 per hundredweight while the Class II and IV prices both declined slightly. Even though the Class II price declined, it was still strong (third highest since Order's inception), and when combined with the highest volume of Class II ever, contributed to the overall higher blend price. The Class I price was the highest since November 2008 and also added significant value as the Class I volume was the highest for the month of August since 2007.

The average producer other solids test for August was the highest for that month since the Order's inception.❖

Fluid Milk Product Definition Final Rule Issued

On August 24, 2010, USDA issued a final rule amending the definition of Class I fluid milk products in all federal milk marketing orders effective January 1, 2011.

The amended order was approved by producers in a referendum held in June. The rule maintains the current 6.5 percent nonfat milk solid standard and incorporates an alternative 2.25 percent true milk protein criterion to determine whether a product meets the compositional standard for fluid milk products. This rule also amends the fluid milk product definition to provide exemptions for drinkable yogurt products containing at least 20 percent yogurt (by weight), kefir, and products intended to be meal replacements.

For more information, see the May 2010 *Bulletin*, USDA's website: **http://www.ams.usda.gov/AMSv1.0/dairy** or contact the Albany Office at the information above.❖

Pool Summary

- A total of 13,622 producers were pooled under the Order with an average daily delivery per producer of 4,870 pounds.
- Pooled milk receipts totaled 2.054 billion pounds, a decrease of 2.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.7 percent of total milk receipts, an increase of 0.5 percentage points from July.
- The average butterfat test of producer receipts was 3.55 percent.
- The average true protein test of producer receipts was 2.98 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.7	837,020,617
Class II	24.0	493,603,823
Class III	26.0	533,087,930
Class IV	9.3	190,747,963
Total Pooled Milk		2,054,460,333

Producer Component Prices

	2010	2009
	$/lb	
Protein Price	2.3788	2.1009
Butterfat Price	2.0336	1.2491
Other Solids Price	0.1647	0.0962

Class Price Factors

	2010	2009
	$/cwt	
Class I	19.02	13.29
Class II	16.98	10.86
Class III	15.18	11.20
Class IV	15.61	10.38

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 August for the years 2007-2010. It uses 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.

Component Proportions

Since component pricing was adopted in the Northeast Order, protein typically has been the largest contributor to a producer's milk check. In the examples shown, protein accounted for at least 50 percent of a producer's milk check in August 2007, 2008, and 2009. In August 2010, the percentage protein contributed dropped to about 40 percent because of a significantly higher butterfat price than in the past 3 years. The proportion a component contributes to the overall producer milk check is a combination of the component price and the component test. The protein test for 2010 was the same as 2009 and the price was higher, but the butterfat price was significantly higher than in past years. Actually, the August 2010 butterfat component price was the highest for any month since December 2004 and the highest for the month of August since 2001. So even with a lower butterfat test, it contributed a higher proportion to the overall producer price.

For the examples shown, the other solids contribution has ranged from 1.5 percent to 10.7 percent, mainly affected by the other solids price; test has little variation or effect.

Producer Price Differential

The Producer Price Differential (PPD) reflects producers' per hundredweight share of the higher-priced classes (usually Class I and II) during a month.

As shown in the examples, the PPD has ranged from $1.15 to $3.31 per hundredweight and contributed, on average, about 12 percent of the price value during August.❖

Milk Movements to Other Orders

According to *Dairy Market News*, supplemental milk shipments began moving to the Southeast part of the United States during the first week of August, 2 weeks earlier than last year. It is expected that these shipments should continue into November. This is typical during late summer and early fall as milk production tapers off and supplies become tight in certain parts of the country. For many years, the Southeast part of the country (Appalachian-5, Florida-6, and Southeast-7 federal orders) has needed additional milk shipments from other federal orders, and based on logistics, the Northeast would help meet these needs.

During August 2010, the amount shipped by handlers regulated under the Northeast Order to southern orders was more than double the amounts during the past 2 years. The amount received from southern orders grew slightly from August 2009 resulting in a smaller, but still negative, net value.

The table on page 3 shows bulk milk shipments and receipts from other federal orders for the month of August during the past 5 years. Shipments of cream, concentrate, and packaged products are not included. More milk was shipped to the southeast orders than

(continued on page 3)

Contribution to Total Gross Payment*

	August 2007				August 2008			
	Test percent	Price per pound	Gross dollars	Contribution percent	Test percent	Price per pound	Gross dollars	Contribution percent
Butterfat	3.58	1.5872	$5,682.18	**24.4**	3.62	1.7413	$6,303.51	**31.9**
True Protein	2.99	3.9412	$11,784.19	**50.7**	3.01	3.6497	$10,985.60	**55.6**
Other Solids	5.68	0.4368	$2,481.02	**10.7**	5.69	0.0529	$301.00	**1.5**
PPD		3.31	$3,310.00	**14.2**		2.18	$2,180.00	**11.0**
Total gross payment			$23,257.39				$19,770.10	
Gross price per cwt			**$23.26**				**$19.77**	

	August 2009				August 2010			
	Test percent	Price per pound	Gross dollars	Contribution percent	Test percent	Price per pound	Gross dollars	Contribution percent
Butterfat	3.61	1.2491	$4,509.25	**36.2**	3.55	2.0336	$7,219.28	**40.5**
True Protein	2.98	2.1009	$6,260.68	**50.2**	2.98	2.3788	$7,088.82	**39.8**
Other Solids	5.67	0.0962	$545.45	**4.4**	5.7	0.1647	$938.79	**5.3**
PPD		1.15	$1,150.00	**9.2**		2.56	$2,560.00	**14.4**
Total gross payment			$12,465.39				$17,806.89	
Gross price per cwt			**$12.47**				**$17.81**	

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

Seasonality of Milk Production

Historically, milk production has been seasonal in nature. Milk production is highest in the spring and lowest in the fall. The accompanying chart shows daily average pooled receipts on the Northeast Order for each year since 2000. Though there may be some variation due to producers pooled elsewhere or additional producers pooled on the Order, this can be used as a good representation of milk production trends. In months where milk was depooled from the Order, that milk was added back to the receipts to better reflect northeast production. The chart highlights just two years: 2007, because it was the one year that did not follow the seasonal pattern, and the current year.

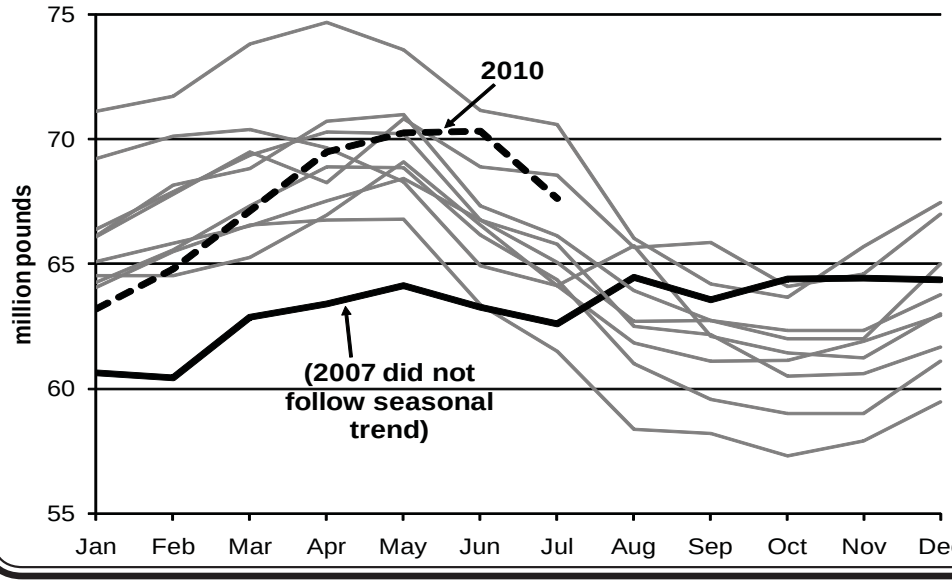
In all but one year (2007) average daily receipts follow a familiar seasonal trend, highest in the spring and lowest in the fall. In fact, the highest average occurred in May five times, in April four times, and in March twice. The lowest average occurred during October eight times.

The highest average daily receipts ranged from between 10.5 percent and 16.8 percent more than the lowest average for that year. The exception was in 2007 when the highest average daily receipts for a month were just 6.7 percent higher than the lowest month. In 2007, the lowest average occurred in February.

The year 2007 stands out on the chart as a year in which the normal seasonal trend did not occur. Average daily receipts began that year much lower than any other year. That same year, milk prices began to rise dramatically in March until hitting a record-high uniform price (at Boston, Massachusetts) of $23.14 per hundredweight in August. Though production costs also were hitting record highs, it's possible milk production was responding to the high price signal coming off a low price year in 2006 in which the annual average uniform price in Boston was $13.53. By October of 2007, average receipts, though in line with seasonal lows, were actually the highest for the month of October for the period in the chart.

Though the past 10 years price volatility has increased, familiar seasonal trends in milk supplies during the year persist. Thus far, 2010 milk receipts, though second strongest for the month of June, are following the seasonal pattern.❖

Average Daily Producer Receipts per Month, 2000–2010



Milk Movements *(continued from page 2)*

received during 2006 and 2007. Most of those shipments were used to meet Class I needs. For the past 3 years, plants regulated by the Northeast Order have received more than has been shipped to 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 Mideast-33 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, 2006–2010

		August				
		2006	2007	2008	2009	2010
		million pounds				
Total*	Shipped	32.5	19.6	4.9	4.4	8.6
	Received	43.9	17.9	17.5	26.3	21.1
	Net	**(11.4)**	**1.7**	**(12.6)**	**(21.9)**	**(12.4)**
South**	Shipped	31.5	17.1	3.8	3.0	8.5
	Received	18.9	9.9	6.5	13.0	13.5
	Net	**12.6**	**7.2**	**(2.7)**	**(10.0)**	**(5.0)**

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

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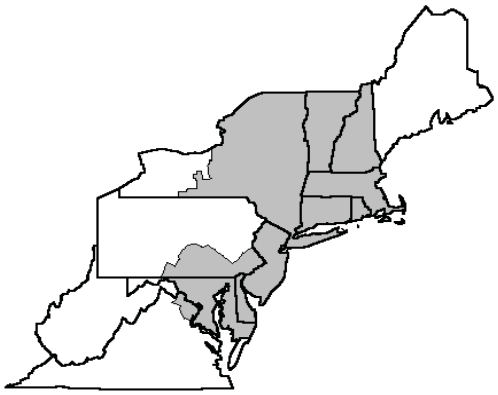
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	821,198,696	$12.74	104,620,713.87	
Butterfat	15,821,921	1.9224	30,416,060.93	
Less: Location Adjustment to Handlers			(3,074,004.83)	$131,962,770.00
Class II— Butterfat	30,797,194	2.0406	62,844,754.08	
Nonfat Solids	41,624,707	1.1322	47,127,493.28	109,972,247.36
Class III— Butterfat	19,351,616	2.0336	39,353,446.32	
Protein	15,953,519	2.3788	37,950,231.01	
Other Solids	30,318,050	0.1647	4,993,382.86	82,297,060.19
Class IV— Butterfat	6,975,633	2.0336	14,185,647.28	
Nonfat Solids	16,534,491	0.9780	16,170,732.21	30,356,379.49
Total Classified Value				**$354,588,457.04**
Add: Overage—All Classes				95,918.74
Inventory Reclassification—All Classes				274,754.00
Other Source Receipts	154,206 Pounds			6,037.70
Total Pool Value				**$354,965,167.48**
Less: Producer Component Valuations @ Class III Component Prices				(313,284,855.76)
Total PPD Value Before Adjustments				**$41,680,311.72**
Add: Location Adjustment to Producers				10,884,157.40
One-half Unobligated Balance—Producer Settlement Fund				964,752.91
Less: Producer Settlement Fund—Reserve				(931,089.88)
Total Pool Milk & PPD Value	2,054,614,539 Producer pounds			**$52,598,132.15**
Producer Price Differential		**$2.56**		
Statistical Uniform Price		**$17.74**		

* 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 2010 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 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $18.33 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $18.84 per hundredweight. The September statistical uniform price was 59 cents per hundredweight above the August price. The September producer price differential (PPD) at Suffolk County was $2.07 per hundredweight, a decrease of 49 cents per hundredweight from last month.

During September, all commodity prices rose except nonfat dry milk. Butter jumped over 30 cents per pound resulting in a corresponding increase in the butterfat price of over 37 cents per pound and the highest butterfat component price since May 2004. All class prices rose except the Class I price, which is announced in advance and uses prior month's data. The Class II price increase 62 cents, the Class III price rose $1.08, and the Class IV price jumped $1.15 per hundredweight. With over half of the pooled milk used in these classes and their higher prices, the blend price rose. The spread between the class prices tightened, lowering the PPD.

Although the Class II volume for September was not all-time record-setting, it was the highest for the month of September since the Order's inception. In addition, the average producer other solids test for September was the highest for that month since the Northeast Order began.❖

Processor Promotion Board Seeks Nominees

The USDA is asking fluid milk processors and other interested parties to nominate candidates for the National Fluid Milk Processor Promotion Board. The Secretary of Agriculture will appoint six individuals to succeed members whose terms expire June 30, 2011. Appointed members will serve 3-year terms from July 1, 2011, through June 30, 2014. Locally, Region 2 (New Jersey and New York) has an opening.

Blank forms and information are available on the Dairy Promotion and Research Branch's website at www.ams.usda.gov/Dairy. Nominations must be submitted by October 31, 2010.❖

Pool Summary

- A total of 13,559 producers were pooled under the Order with an average daily delivery per producer of 4,781 pounds.
- Pooled milk receipts totaled 1.945 billion pounds, a decrease of 2.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.3 percent of total milk receipts, an increase of 4.6 percentage points from August.
- The average butterfat test of producer receipts was 3.65 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.70 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.3	881,180,055
Class II	22.5	437,381,393
Class III	23.9	464,619,752
Class IV	8.3	161,691,271
Total Pooled Milk		1,944,872,471

Producer Component Prices

	2010	2009
	$/lb	
Protein Price	2.3057	2.4243
Butterfat Price	2.4044	1.2226
Other Solids Price	0.1673	0.1018

Class Price Factors

	2010	2009
	$/cwt	
Class I	18.75	14.18
Class II	17.60	11.01
Class III	16.26	12.11
Class IV	16.76	11.15

Growth by Farm Size

In effort to examine changes in producer milk production over the last ten years, verified payroll data for producers whose milk was pooled on the Northeast Order for every month from January 2000 to December 2009 were analyzed. Only producers with milk pooled were used in order to eliminate changes in reported production that were only a reflection of pooling changes, and not production changes. In this way, results can be better interpreted as a reflection of actual production. There were 4,009 producers who met this criteria during the period.

These 4,009 producers were grouped into three production categories based on the producer's average production over the entire 10-year period. Small producers were defined as having averaged less than 100 thousand pounds per month. Medium producers were over 100 thousand pounds but less than 500 thousand pounds per month. Large producers were defined as producing 500 thousand pounds or more per month. This resulted in 2,373 small producers, 1,539 medium producers, and 97 large producers.

Ten-Year Trend

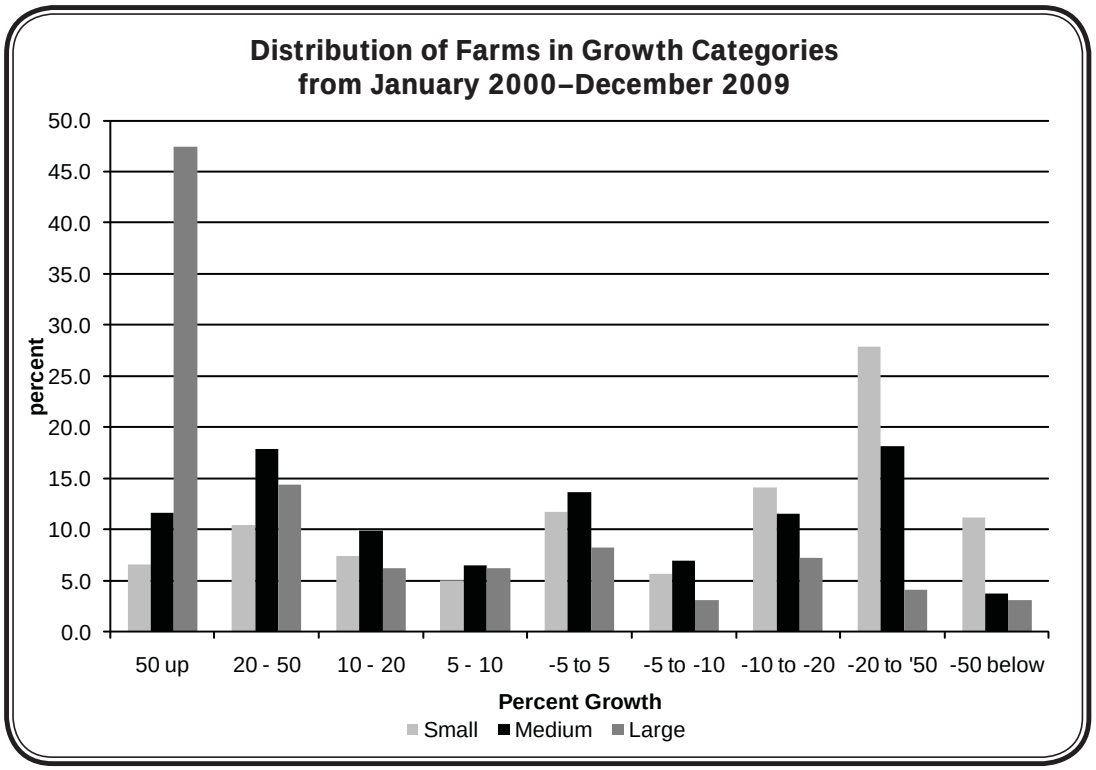
The first chart depicts the daily production growth in the three categories from January 2000 through December 2009. However, we will highlight January 2009 to eliminate seasonal differences. Over the ten-year period in question, the average pounds produced and pooled by the small producer declined by a very small amount. For comparison purposes, the small producer averaged 2,143 pounds per day in January 2000 and 2,007 pounds pooled per day in January 2009, or roughly a decline of 37 pounds per month. The change in average pounds pooled by the medium-sized producer was positive, but relatively flat. The medium size producer averaged 5,690 pounds per day in January 2000 and 6,174 pounds pooled per day in January 2009, or roughly an increase of 125 pounds per month. The average pounds pooled by the large producer increased during this time period. In fact, the data indicate that average monthly output from the large producer grew by almost 2,800 pounds a month. The large size producer averaged 22,023 pounds per day in January 2000 and was averaging 32,633 pounds pooled per day in January 2009.

Year-over-Year Growth Changes

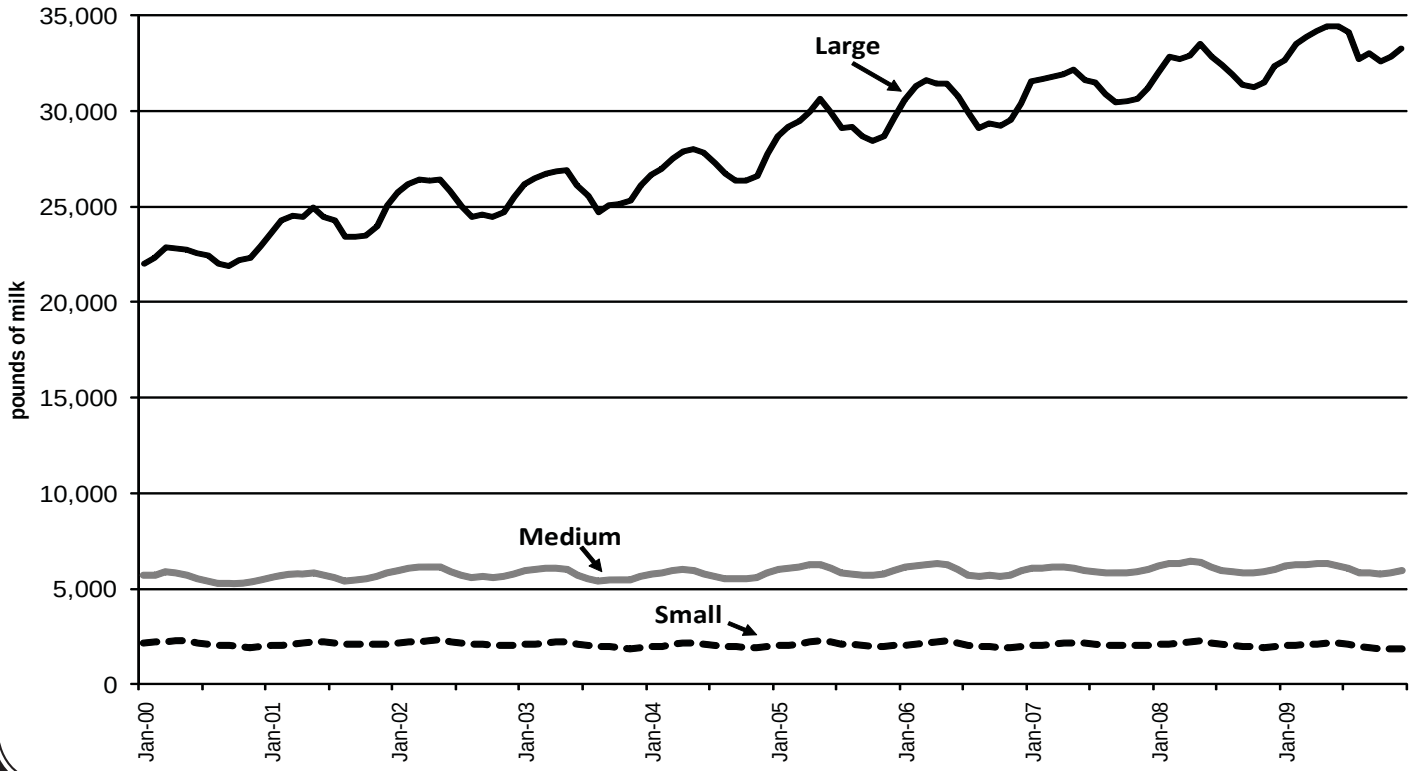
The second chart (on page 3) shows year-over-year changes in average daily pooled milk volume for the three size categories. In general, all three categories average growth moved up and down in similar fashion. However, one important difference is that the line depicting the large farm average year-over-year growth does not drop below zero. In other words, large farms may have seen a slow down in their growth, but they never experienced a contraction during this period. On the other hand, medium and small farms growth was negative four different times during the 10-year period. Each of the four times coincided with periods of lower blend prices that occurred during the ten-year period.

Distribution of Growth

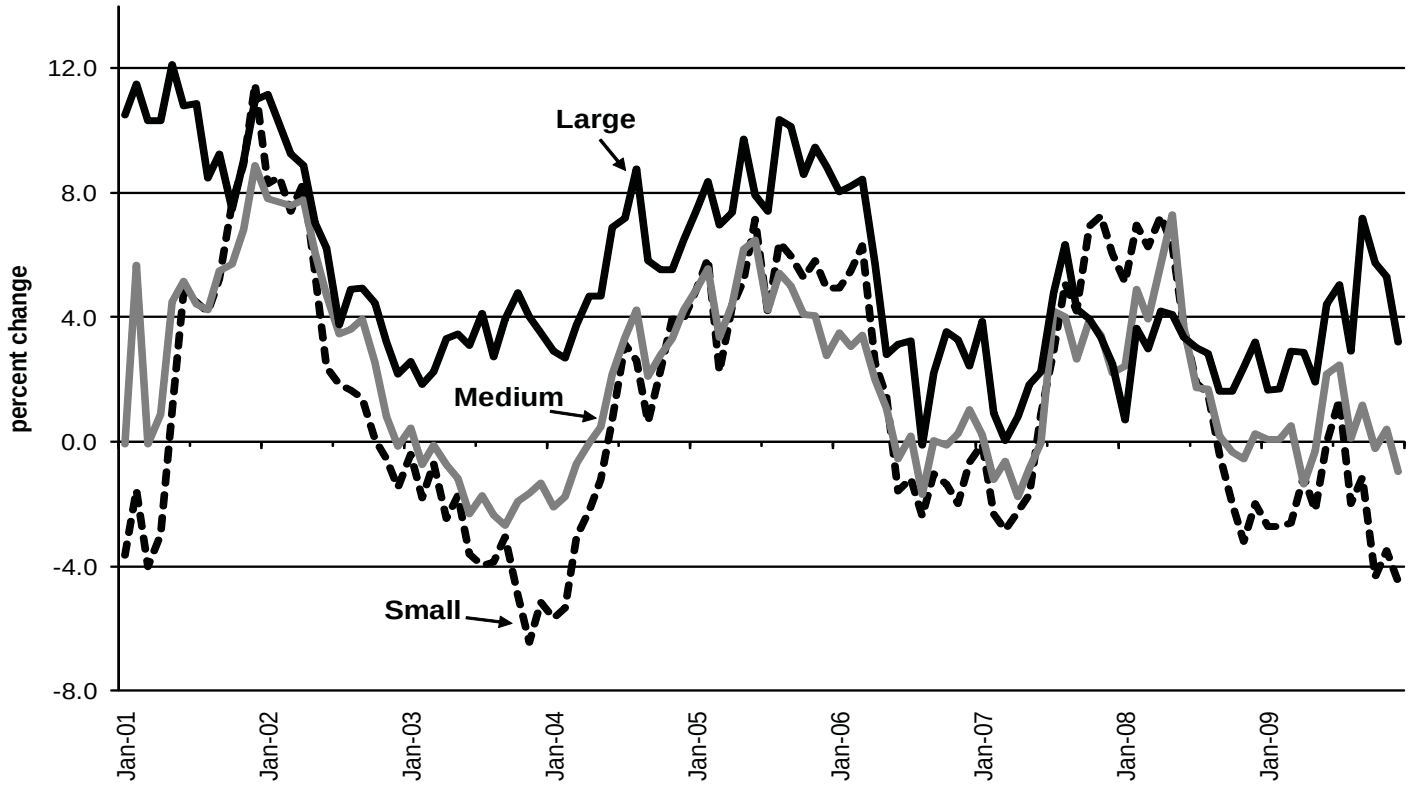
Not all farms within each category displayed identical growth to each other. The third chart (on page 3) depicts a distribution of farms by growth in daily deliveries for each farm size category. When looked at in this manner, the most striking result is that over 47 percent of large farms grew by more than 50 percent. Just 6.6 percent of small farms grew by this much. Additionally, the small farm category had the largest percentage of farms with negative growth in the three lowest growth categories as depicted on the chart. After an initial look at these results, it appears that production from small and medium size farms has stagnated over the past ten years, while production from large farms have grown, though other factors besides size of operation may be involved.❖



Changes in Average Daily Volume Over 10 Years, by Size Category



Year-Over-Year Change in Volume of Pooled Milk, by Farm Size Category, January, 2001–2009



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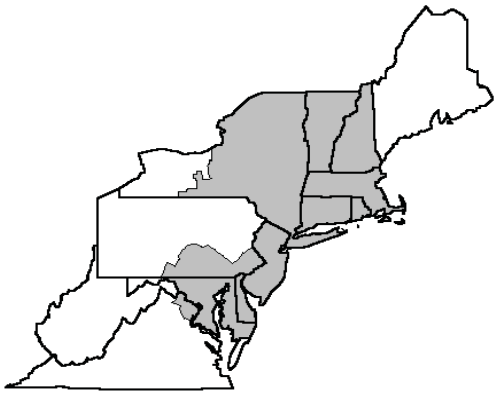
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	864,965,311	$12.04	104,141,823.44	
Butterfat	16,214,744	2.0372	33,032,676.48	
Less: Location Adjustment to Handlers			(3,214,898.06)	$133,959,601.88
Class II— Butterfat	29,140,989	2.4114	70,270,580.84	
Nonfat Solids	37,086,755	1.0544	39,104,274.45	109,374,855.29
Class III— Butterfat	17,970,959	2.4044	43,209,373.82	
Protein	14,191,186	2.3057	32,720,617.56	
Other Solids	26,435,508	0.1673	4,422,660.49	80,352,651.87
Class IV— Butterfat	7,683,294	2.4044	18,473,712.12	
Nonfat Solids	14,011,827	0.9608	13,462,563.39	31,936,275.51
Total Classified Value				**$355,623,384.55**
Add: Overage—All Classes				60,871.99
Inventory Reclassification—All Classes				773,224.91
Other Source Receipts	358,433 Pounds			10,803.91
Total Pool Value				**$356,468,285.36**
Less: Producer Component Valuations @ Class III Component Prices				(326,164,896.40)
Total PPD Value Before Adjustments				**$30,303,388.96**
Add: Location Adjustment to Producers				10,020,689.46
One-half Unobligated Balance—Producer Settlement Fund				764,518.53
Less: Producer Settlement Fund—Reserve				(822,317.19)
Total Pool Milk & PPD Value	1,945,230,904 Producer pounds			**$40,266,279.76**
Producer Price Differential		**$2.07**		
Statistical Uniform Price		**$18.33**		

* 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 2010 Federal Order No. 1

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website address: www.fmmone.com

September Pool Price Calculation

The October 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $18.61 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $19.61 per hundredweight. The October statistical uniform price was 28 cents per hundredweight above the September price. The October producer price differential (PPD) at Suffolk County was $1.67 per hundredweight, a decrease of 40 cents per hundredweight from last month.

During October, all commodity prices rose resulting in higher component prices. All class prices rose except the Class II price, which declined only 3 cents and is calculated using data announced in advance (prior month's data) and some data from the current month. The Class I price increased $1.08 per hundredweight; the Class III price rose 68 cents but remained the lowest class price, and the Class IV increased 39 cents. With over two-thirds of the pooled milk used in the higher priced classes (I and II), the blend price rose. The spread between the class prices tightened, lowering the PPD.

The Class I volume was the lowest ever for the month of October, while the Class II volume was the highest for that month since the Order's inception. The average producer other solids test was the highest for the month of October since the Northeast Order began.❖

MILC Payments Projected

After 2009, a year in which Milk Income Loss Contract (MILC) Payments were made in 10 of 12 months, it appears that 2010 will finish with just a single payment made of 21 cents per hundredweight in April when the Class I price at Boston , Massachusetts, dipped below the $16.94 per hundredweight MILC trigger price.

Using Chicago Mercantile Exchange (CME) futures prices for milk and feed prices, MILC payments are currently projected for all months in 2011. Current Class III and Class IV futures prices do not result in a single month with a Class I price below $16.94 per hundredweight and, in fact, do not go below $17.74

(continued on page 3)

Pool Summary

- A total of 13,459 producers were pooled under the Order with an average daily delivery per producer of 4,746 pounds.
- Pooled milk receipts totaled 1.980 billion pounds, a decrease of 1.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.1 percent of total milk receipts, a decrease of 0.2 percentage points from September.
- The average butterfat test of producer receipts was 3.77 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.1	894,112,695
Class II	24.1	476,408,614
Class III	22.8	451,170,910
Class IV	8.0	158,298,075
Total Pooled Milk		1,979,990,294

Producer Component Prices

	2010	2009
	$/lb	
Protein Price	2.4739	2.5584
Butterfat Price	2.4436	1.2752
Other Solids Price	0.1736	0.1228

Class Price Factors

	2010	2009
	$/cwt	
Class I	19.83	15.60
Class II	17.57	11.93
Class III	16.94	12.82
Class IV	17.15	11.86

Producer Milk by Location Received

Historically, fluid milk processing plants tended to be concentrated in higher populated areas while dairy manufacturing plants generally were located close to where the milk was produced. For example in the Northeast, most bottling plants were located in or near such large metropolitan centers as New York City, Boston, and Philadelphia. Over the years, with improvements in transportation, processor mergers, and plant closures, fluid milk products are transported greater distances and the remaining plants now service larger geographic areas.

The accompanying map shows the location of distributing (bottling) and supply (manufacturing) plants in the Northeast and compares producer milk by class of use and location differential for September 2001 and 2010. As depicted in the map, a majority of the bottling plants are located in the $3.00 and above differential zone (encompasses the higher populated areas). The differential is the value added to the base milk price to set the respective Class I price. The differential also factors into the level of the Producer Price Differential (PPD). In 2001, just over 40 percent of all milk ended up at plants in that zone; in 2010, a little over 37 percent was received at plants in the highest zone. Of these totals, a majority was utilized as Class I.

(continued on page 3)

Producer Milk by Class and Plant Location Differential Categories, September, 2001 vs. 2010

Differentials of $2.40 – $2.50

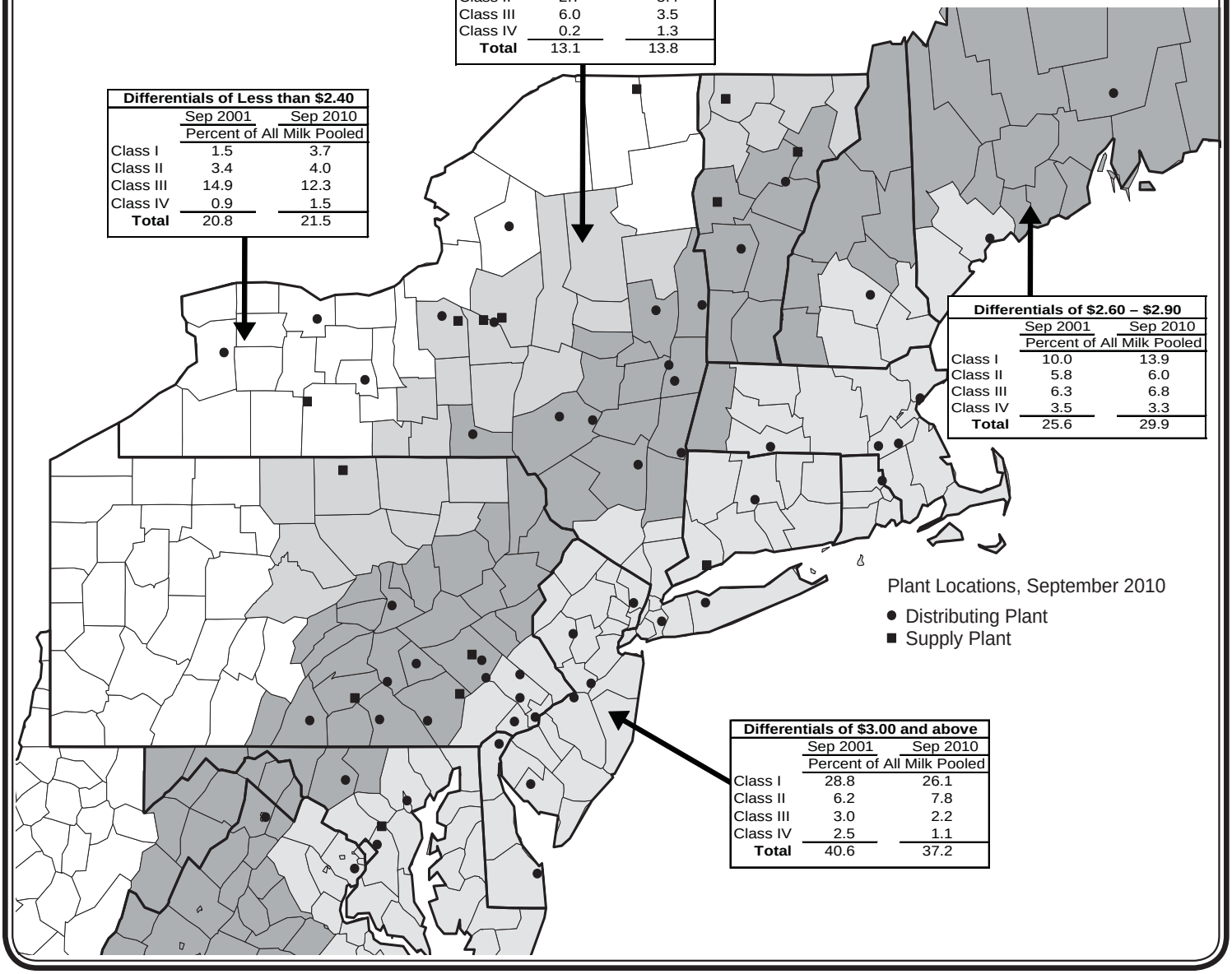
	Sep 2001	Sep 2010
	Percent of All Milk Pooled	
Class I	4.2	3.6
Class II	2.7	5.4
Class III	6.0	3.5
Class IV	0.2	1.3
Total	13.1	13.8

Differentials of Less than $2.40

	Sep 2001	Sep 2010
	Percent of All Milk Pooled	
Class I	1.5	3.7
Class II	3.4	4.0
Class III	14.9	12.3
Class IV	0.9	1.5
Total	20.8	21.5

Differentials of $2.60 – $2.90

	Sep 2001	Sep 2010
	Percent of All Milk Pooled	
Class I	10.0	13.9
Class II	5.8	6.0
Class III	6.3	6.8
Class IV	3.5	3.3
Total	25.6	29.9



Differentials of $3.00 and above

	Sep 2001	Sep 2010
	Percent of All Milk Pooled	
Class I	28.8	26.1
Class II	6.2	7.8
Class III	3.0	2.2
Class IV	2.5	1.1
Total	40.6	37.2

Producer Milk *(continued from page 2)*

The percentage of milk received at plants located in the $2.60 to $2.90 range increased slightly since 2001. These plants include many located in southeastern Pennsylvania, eastern New York, and southern Vermont. Smaller cities located in this region include Harrisburg, PA; Albany, NY; and Rutland, VT. Even in this range, most milk was used for Class I.

The percentage of milk received at plants located in the $2.40-$2.50 zone (the zone where the greatest milk production occurs in the Northeast Order), was the smallest one and has changed little when comparing the two years shown. Most of the plants in this zone are manufacturing plants. Overtime, a majority of the utilization has migrated from Class III to Class II reflecting a changing product demand.

The lowest differential zone (less than $2.40) showed a slight increase in 2010. The fewest number of plants regulated by the Northeast Milk Marketing Order are located in this range. Of the milk received in this zone, the largest percentage was used in Class III as most of the plants in this area are cheese plants.

One of the factors that effects how much producers receive for their milk is the plant location where their milk is first received. For example, if a producer ships to a handler that sends the milk to a plant located in Boston, MA, the producer would receive a higher PPD value for the milk because of the differential for that location versus a producer whose milk is processed at a local plant in the "countryside". However, the difference would be offset by the transportation cost of getting milk to that plant versus a plant located in closer proximity to the farm; that is the responsibility of the producer.❖

MILC *(continued from page 1)*

per hundredweight. However, the feed-adjusted MILC trigger price is predicted to average $18.89 per hundredweight next year, almost $2.00 higher than the standard trigger price, and above the predicted average Class I price of $18.62 per hundredweight. Based on current information, MILC payments would average $0.58 per hundredweight for the months a payment is predicted.

Feed Prices Driving Possible MILC Payments

The predicted MILC feed-adjusted trigger price is being elevated by high corn and soybean futures prices. As of early November, the CME futures price for corn in 2011 ranged from $5.55 to $6.11 per bushel. The CME futures price for soybeans in 2011 ranged from $12.22 to $13.00 per bushel. If those prices come to pass, it would set a new record high for corn and a near record high for soybeans.

Many factors are behind higher feed prices. USDA recently revised 2010/11 ending stocks down 75 million bushels to 827 million bushels, the lowest since 1995/96. Ethanol producers, foreign buyers, livestock growers, and food business all are expected to increase purchases next year. A drought in Russia forced that country to ban wheat exports in August and many countries are looking to the United States for animal feed. Canada and Europe also have had weather related grain problems. Lastly, a weak U.S. dollar is making U.S. grain more affordable.

The Market Administrator is hosting the Northeast Regional Dairy Outlook Conference on November 18. We will report on the highlights of that conference in the November issue of the *Bulletin*.❖

Pool Summary for All Federal Orders, January–September, 2009–2010

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2009	2010	Change	2009	2010	2009	2010
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**17,891,927,798**	**18,323,411,532**	**2.4**	**1.83**	**2.52**	**12.32**	**16.59**
5	Appalachian	4,468,272,092	4,525,178,057	1.3	N/A	N/A	13.34	17.55
6	Florida	2,274,335,206	2,155,920,809	(5.2)	N/A	N/A	15.49	19.74
7	Southeast	5,427,178,385	5,242,062,421	(3.4)	N/A	N/A	13.55	17.67
30	Upper Midwest	24,312,436,688	25,654,997,221	5.5	0.32	0.43	10.81	14.50
32	Central	9,825,156,156	9,894,230,261	0.7	0.58	1.06	11.07	15.13
33	Mideast	12,560,919,834	12,129,104,875	(3.4)	0.95	1.45	11.44	15.53
124	Pacific Northwest	5,565,031,812	6,048,478,625	8.7	0.55	1.01	11.04	15.08
126	Southwest	8,539,652,244	8,386,220,126	(1.8)	1.60	2.08	12.08	16.15
131	Arizona	3,070,279,418	3,171,253,906	3.3	N/A	N/A	11.33	15.48
All Market Total/Average		93,935,189,633	95,530,857,833	1.7	0.97	1.42	12.25	16.34

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

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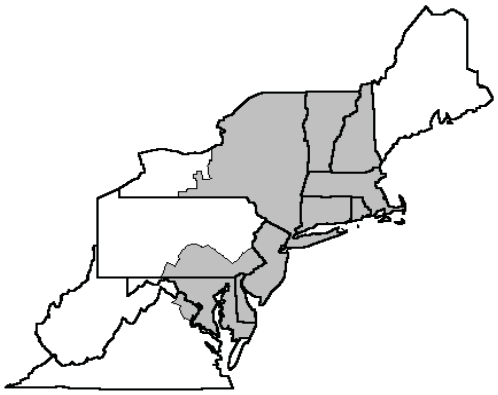
	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	877,138,605	$11.87	104,116,352.41	
Butterfat	16,974,090	2.3919	40,600,325.87	
Less: Location Adjustment to Handlers			(3,303,349.18)	$141,413,329.15
Class II— Butterfat	31,276,212	2.4506	76,645,485.17	
Nonfat Solids	40,938,377	1.0356	42,395,783.28	119,041,268.45
Class III— Butterfat	19,102,219	2.4436	46,678,182.37	
Protein	14,060,596	2.4739	34,784,508.43	
Other Solids	25,709,884	0.1736	4,463,235.84	85,925,926.64
Class IV— Butterfat	7,276,464	2.4436	17,780,767.43	
Nonfat Solids	13,914,451	0.9896	13,769,740.69	31,550,508.12
Total Classified Value				**$377,931,032.36**
Add: Overage—All Classes				142,970.56
Inventory Reclassification—All Classes				151,541.52
Other Source Receipts	157,110 Pounds			4,050.42
Total Pool Value				**$378,229,594.86**
Less: Producer Component Valuations @ Class III Component Prices				(355,172,610.02)
Total PPD Value Before Adjustments				**$23,056,984.84**
Add: Location Adjustment to Producers				10,243,614.27
One-half Unobligated Balance—Producer Settlement Fund				756,419.49
Less: Producer Settlement Fund—Reserve				(988,556.91)
Total Pool Milk & PPD Value	1,980,147,404 Producer pounds			**$33,068,461.69**
Producer Price Differential		**$1.67**		
Statistical Uniform Price		**$18.61**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

November 2010 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 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $18.17 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $19.31 per hundredweight. The November statistical uniform price was 44 cents per hundredweight below the October price. The November producer price differential (PPD) at Suffolk County was $2.73 per hundredweight, an increase of $1.06 per hundredweight from last month.

During November, butter and cheese commodity prices declined while nonfat dry milk and dry whey prices rose. As a result, butterfat and protein prices dropped while nonfat and other solids prices increased. All class prices decreased except the Class I price, which is announced in advance and uses prior month's data (before the butter and cheese price declines). The Class III price dropped $1.50 per hundredweight. The lower prices caused a decline in the blend price, but the spread between the class prices resulted in a higher PPD.

The total volume of pooled milk receipts, 1.969 billion pounds, was the second highest on record for the month of November (2002 had 1.971 billion) since the Order's inception. The Class I volume in November was the highest reported this year. Although the Class II volume declined sharply from October, it was the largest for the month of November since the Order began. The average producer component tests for butterfat, protein, and other solids were all record-setting for the month of November.❖

Fluid Milk Product Definition Final Rule

The amended order approved in a referendum held in June will be effective January 1, 2011. This rule maintains the current 6.5 percent nonfat milk solid standard and incorporates an alternative 2.25 percent true milk protein criterion to determine whether a product meets the compositional standard for fluid milk products. It also amends the fluid milk product definition to provide exemptions for drinkable yogurt products containing at least 20 percent yogurt (by weight), kefir, and products intended to be meal replacements.❖

Pool Summary

- A total of 13,415 producers were pooled under the Order with an average daily delivery per producer of 4,892 pounds.
- Pooled milk receipts totaled 1.969 billion pounds, an increase of 2.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.7 percent of total milk receipts, an increase of 0.6 percentage points from October.
- The average butterfat test of producer receipts was 3.84 percent.
- The average true protein test of producer receipts was 3.16 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.7	899,632,212
Class II	20.7	408,025,972
Class III	25.3	497,900,401
Class IV	8.3	163,441,524
Total Pooled Milk		1,969,000,109

Producer Component Prices

	2010	2009
	$/lb	
Protein Price	2.1981	2.6991
Butterfat Price	2.2422	1.4656
Other Solids Price	0.1797	0.1524

Class Price Factors

	2010	2009
	$/cwt	
Class I	20.49	16.11
Class II	17.21	13.24
Class III	15.44	14.08
Class IV	16.68	13.25

Regional Dairy Outlook Conference Held

The 2010 Northeast Regional Dairy Outlook Conference was held November 18 at the Northeast Marketing Area's Albany office. The annual conference brings together economists and statisticians from the Northeast's market administrator office, state and federal agricultural statistical services, university extension offices, cooperatives and agribusinesses to review regional production and price statistics for the past year and develop projections for the upcoming year. The Northeast region includes Delaware, Maryland, New England, (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), New Jersey, New York, and Pennsylvania.

Northest Milk Marketing Area
Statistical Uniform Prices, 2009–2011*

Month	2009 Actual	**2010** Actual and **Estimated**	**2011 Estimated**
January	14.14	16.26	**16.75**
February	11.75	16.30	**16.23**
March	11.56	15.54	**15.98**
April	12.08	15.11	**15.83**
May	12.18	15.91	**15.75**
June	11.93	16.73	**15.77**
July	11.99	17.43	**15.95**
August	12.35	17.74	**16.31**
September	12.93	18.33	**16.67**
October	14.06	18.61	**16.95**
November	15.02	**18.54**	**17.08**
December	16.11	**17.55**	**17.02**
Average	13.01	**17.00**	**16.36**

* Estimated prices for November and December 2010 and all of 2011. All estimates are subject to change. Prices are reported at Suffolk County, MA. The actual price for November is $18.17 per cwt, announced in this issue.

Crop Situation

Participants reported mixed results regarding crop yields in both quantity and quality. Pennsylvania and the New England states reported lower yields of alfalfa but good quality. Corn yields were down in both of these areas and Pennsylvania reported less grain corn and more silage due to quality issues resulting from lack of rain. New York reported record yields for corn, while alfalfa quantity and overall hay quality was up.

Production Estimates

For 2010, milk production in the Northeast is expected to finish 0.7 percent above 2009; nationally, growth is predicted to be at 1.8 percent. For 2011, total milk production in the Northeast is estimated to increase a slight 0.3 percent with most states expecting little or no change, except New Jersey, which is projecting a large decline. Nationally, milk production is estimated to increase another 1.7 percent in 2011. The increases in milk production during 2010 and forecast for 2011 are the result of considerable gains in milk per cow as declines in cow numbers occurred throughout the Northeast and nationally. The Northeast averaged a drop of nearly 1.0 percent in cow numbers with Delaware, Maryland, New Jersey, and New York all reporting larger declines. For 2011, the Northeast estimates a decrease of 0.5 percent in cow numbers. The predicted national average decline for 2010 is nearly 1.0 percent; for 2011, an increase of 0.4 percent is forecast. Milk per cow in the Northeast is expected to finish 1.4 percent higher in 2010, compared to last year, and up another 1.1 percent in 2011. Nationally, milk per cow is estimated to increase 2.7 percent for 2010 and another 1.3 percent in 2011.

Industry representatives commented that there did not appear to be a large exodus of farms in 2010 with actual exits fewer than in recent years. There have not been many expansions, either, as increased costs of inputs have curtailed gains from higher prices this past year. Overall, the larger size farms seem to continue to grow in size and proportion of total farms.

Price Estimates

Participants felt that the U.S. economy is still struggling as reflected in sluggish demand. The weakness of the U.S. dollar versus other countries is good for exports, which are reported to be stronger again with considerable volumes of cheese and nonfat dry milk going to Mexico. Asian countries appear to have pulled out of the recession quicker than the U.S. and should be another good export market.

Overall, the 2010 corn crop was the largest in history, but the availability of corn may be tight. Contributing to the tightness are such factors as increased usage of corn for ethanol, drought in Russia, and restrictions on Russian wheat exports that will put upward pressure on price and contribute to the climbing ratio value. In addition, fuel will continue to account for a large proportion of input costs.

The group consensus for the Northeast Order statistical uniform price is an annual average of $17.00 per hundredweight (at Boston) for 2010. For the upcoming year, the group is forecasting a decline to $16.36 per hundredweight for 2011 (see accompanying table), a drop of about 4 percent. The decline in prices is largely the result of growth in milk production combined with sluggish demand for dairy products in the U.S.

At this time, Milk Income Loss Payments (MILC) are expected to be paid in most, if not all, months of 2011, possibly averaging about 30 to 60 cents per hundredweight. This is not due to the Class I price falling below the trigger price, but rather the result of the feed cost adjustor kicking

(continued on page 3)

CCC Purchases Negligible for MY 2010

During Marketing Year (MY) 2010 (October 1, 2009 through September 30, 2010) the Commodity Credit Corporation (CCC) purchased only 132,276 pounds of nonfat dry milk (NFDM). No butter or cheese purchases were made during the MY. This was a drastic decline from MY 2009 when over 276 million pounds of NFDM were purchased. A relatively small amount of butter (4.6 million pounds) also was purchased that MY. These were the first butter purchases since MY 2003, which also was the last year that there were cheese purchases. The accompanying table shows CCC purchases from 1990 to 2010 in actual pounds purchased and on a milk equivalent basis (converts the skim and fat to a fluid milk equivalent) As of mid-December, there still had not been any purchases through the CCC program.

CCC Purchases of Dairy Products Under the Support Program, 1990–2010*

MY** Ending	Butter	Cheese	NFDM	Milk Equivalent Total
	(million pounds)			
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
2010	0.0	0.0	0.1	0.9

Sources: Commodity Credit Corporation; *Dairy Market News.*

* 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).

The MY ended with no uncommitted inventories of cheese, butter, or NFDM. 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 NFDM were held.❖

2011 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 Payment Under the Northeast Order

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

Regional Dairy *(continued from page 2)*

in due to continued high prices for feed inputs.

Most participants felt that Class IV will continue to be the mover through the first half of 2011, based on strong nonfat dry milk prices. Cheese prices are expected to rebound later in the year as production tightens, giving way to a Class III mover for the remainder of the year. The producer price differential (PPD) is predicted to average $2.57 per hundredweight (at Boston) for 2010 and $2.02 for 2011.❖

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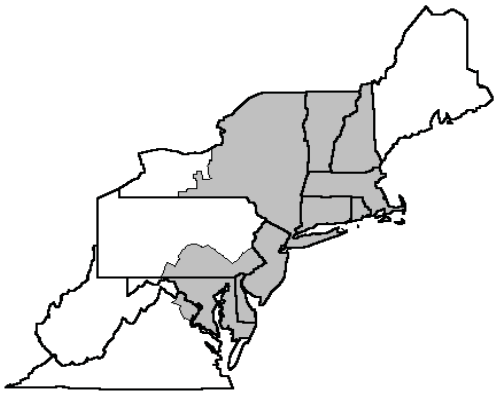
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	881,822,846	$12.23	107,846,934.07	
Butterfat	17,809,366	2.4820	44,202,846.41	
Less: Location Adjustment to Handlers			(3,323,654.93)	$148,726,125.59
Class II— Butterfat	29,776,650	2.2492	66,973,641.19	
Nonfat Solids	34,951,295	1.0756	37,593,612.90	104,567,254.09
Class III— Butterfat	20,558,938	2.2422	46,097,250.81	
Protein	15,679,440	2.1981	34,464,977.08	
Other Solids	28,426,219	0.1797	5,108,191.58	85,670,419.47
Class IV— Butterfat	7,442,610	2.2422	16,687,820.16	
Nonfat Solids	14,425,468	1.0172	14,673,586.03	31,361,406.19
Total Classified Value				**$370,325,205.34**
Add: Overage—All Classes				108,990.21
Inventory Reclassification—All Classes				(431,919.05)
Other Source Receipts	372,483 Pounds			15,084.70
Total Pool Value				**$370,017,361.20**
Less: Producer Component Valuations @ Class III Component Prices				(326,450,798.67)
Total PPD Value Before Adjustments				**$43,566,562.53**
Add: Location Adjustment to Producers				10,262,765.42
One-half Unobligated Balance—Producer Settlement Fund				778,455.34
Less: Producer Settlement Fund—Reserve				(843,911.60)
Total Pool Milk & PPD Value	1,969,372,592 Producer pounds			**$53,763,871.69**
Producer Price Differential		**$2.73**		
Statistical Uniform Price		**$18.17**		

* 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 2010 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 2010 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.91 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 $17.92 per hundredweight. The December statistical uniform price was $1.26 per hundredweight below the November price. The December producer price differential (PPD) at Suffolk County was $3.08 per hundredweight, an increase of 35 cents per hundredweight from last month.

During December, all commodity prices declined except dry whey, which increased slightly. As a result, component prices for butterfat, protein, and nonfat solids all dropped; other solids rose slightly. All class prices decreased: Class I was down 28 cents; Class II declined $1.44; Class III dropped $1.61; and Class IV fell $1.65. The lower prices caused a decline in the blend price, but the spread between the class prices resulted in a higher PPD.

The average producer butterfat test for December set a new record as the highest ever reported for the Order. December's producer protein test was the highest for the month, while the other solids test for December tied with 2007 as the highest for that month. The Class II volume was the highest for the month of December since the Order's inception.❖

2010 Northeast Order Statistics Summarized

During 2010, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 24.3 billion pounds, an increase of 3.6 percent from 2009. The increase was due to a combination of factors such as milk production growth in the region, higher prices, and pooling changes. The accompanying table compares selected pool statistics for 2009 and 2010.

Nationally, total milk production from January through November grew 1.7 percent. In the Northeast, the major contributing states (New York, Pennsylvania, and Vermont) had a combined increase of 1.9 percent. In April 2010, a large volume Class I distributing plant became pooled on the Northeast Order, as a result of changes in the

(continued on page 2)

Pool Summary

- A total of 13,402 producers were pooled under the Order with an average daily delivery per producer of 4,963 pounds.
- Pooled milk receipts totaled 2.062 billion pounds, an increase of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.3 percent of total milk receipts, a decrease of 0.4 percentage points from November.
- The average butterfat test of producer receipts was 3.86 percent.
- The average true protein test of producer receipts was 3.15 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.3	935,208,538
Class II	17.2	353,760,080
Class III	25.4	524,174,638
Class IV	12.1	249,176,700
Total Pooled Milk		2,062,319,956

Producer Component Prices

	2010	2009
	$/lb	
Protein Price	2.1706	2.8751
Butterfat Price	1.7952	1.5433
Other Solids Price	0.1852	0.1727

Class Price Factors

	2010	2009
	$/cwt	
Class I	20.21	17.24
Class II	15.77	14.25
Class III	13.83	14.98
Class IV	15.03	15.01

2010 Northeast Order Statistics *(continued from page 1)*

plant's route disposition, bringing with it a large amount of milk and producers from other states. This plant formerly had been pooled on a neighboring federal order.

Class Utilization Changes

Class I utilization averaged 42.7 percent in 2010, a decrease of 1.0 percentage points from the previous year. The total volume of milk used in Class I actually rose 1.2 percent but due to the corresponding increase in total milk receipts, the utilization percent decreased. Class II usage jumped 9.1 percent, resulting in an increase in utilization of 1.1 percentage points. Class II utilization averaged 21.3 percent. The growth in Greek-style yogurt largely was the driving force behind the substantial increase in the Class II volume.

Class III volume was up 7.6 percent with an increase in utilization of 1.0 percentage point and averaged 24.5 percent for 2010. The amount of milk used in Class IV dropped 4.6 percent and the corresponding utilization declined 1.0 percentage point. Class IV utilization accounted for an annual average of 11.6 percent.

Prices Higher

Commodity prices began rising during the last quarter of 2009 and continued through most of 2010. Both butter and dry whey had the second highest annual averages since the Order's inception. Correspondingly, component and class prices rose.

The Class I price averaged $18.60 per hundredweight in 2010, $3.87 (26.3 percent) above the 2009 annual average. The Class II price averaged $16.02 per hundredweight, $4.76 per hundredweight and 42.2 percent higher than the previous year. The Class III price averaged $14.41, up $3.05 and 26.8 percent over 2009. The Class IV price rose $4.20, an increase of 38.6 percent, and averaged $15.09 per hundredweight.

Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged $16.92 per hundredweight, $3.91 (30.1 percent) higher than the 2009 price, and the third highest blend price on record for the Order. Compared to previous years, 2010 class prices were: Class I and II, third highest; Class III, fourth highest; and Class IV, second highest, since the Order's inception. The producer price differential (PPD) averaged $2.51 per hundredweight in 2010, 86 cents higher than the average in 2009.

Component Pricing

The price paid to producers for butterfat averaged $1.8535 per pound, 47.4 percent higher than in 2009 and the second highest butterfat price since the Order's inception. The per-pound annual average protein price was $2.3091 per pound, up 4.5 percent from 2009. The other solids price increased 190.4 percent and averaged $0.1777 per pound, the second highest other solids price ever. No negative other solids values were reported during 2010, compared to 4 months of 2009. The nonfat solids price rose 32.7 percent and averaged $0.9909 per pound, the third highest reported.

Producer Tests

The annual average producer butterfat test equaled 3.70 percent in 2010, a drop of 2 percentage points from last year. The only record-setting month was December, which not only set a record for that month, but was the highest butterfat test ever for the Order. The annual average producer protein test was 3.05 percent, down 1 percentage point from 2009. Record highs were set during the months of November and December, and tied with the January high. The annual average producer other solids test increased 3 percentage points to 5.72 percent, setting a new record high annual average. Record highs also were set in the months of August through November 2010.

The year ended with 215 less producers than at the end of 2009. Annual average daily deliveries per producer (DDP) equaled 4,965 pounds, an increase of 3.2 percent from 2009.❖

Northeast Order Pool Statistics, 2009–2010

Pool Statistics	2009	2010	2009-10 Change
	million pounds		percent
Class I	10,267.8	10,386.4	1.2
Class II	4,748.5	5,181.5	9.1
Class III	5,531.2	5,951.7	7.6
Class IV	2,949.9	2,815.1	(4.6)
Total	23,497.4	24,334.7	3.6
	pounds		
DDP	4,810	4,965	3.2
	utilization percentage		change
Class I	43.7	42.7	(1.0)
Class II	20.2	21.3	1.1
Class III	23.5	24.5	1.0
Class IV	12.6	11.6	(1.0)
	dollars/cwt		percent
Class I	14.73	18.60	26.3
Class II	11.26	16.02	42.2
Class III	11.36	14.41	26.8
Class IV	10.89	15.09	38.6
SUP	13.01	16.92	30.1
Producer Component:			
Tests:	percent		change
Butterfat	3.72	3.70	(0.02)
Protein	3.06	3.05	(0.01)
Other Solids	5.69	5.72	0.03
Prices:	dollars/lb		percent
Butterfat	1.2571	1.8535	47.4
Protein	2.2087	2.3091	4.5
Other Solids	0.0612	0.1777	190.4
Nonfat Solids	0.7469	0.9909	32.7

Strong Milk Prices Projected, But Feed Prices Also High

Using CME futures prices of Class III and Class IV milk from January 14, the Northeast Order uniform price projects to average $18.82 per hundredweight for 2011, at Boston, Massachusetts. The Class I price projects to average $20.59 per hundredweight for the year. That would rank 2011 as the second highest for the Northeast Order in terms of the uniform milk price. Since National Agricultural Statistics Service (NASS) prices tend to track closely with, but follow Chicago Mercantile Exchange (CME) prices, a look at CME prices can give an idea of where future NASS prices (which are used in calculating federal order prices) may be headed.

Current Commodity Price Levels

Strength in commodity prices, particularly butter, has led to bullish futures prices, especially for Class IV milk. The Butter price on the CME topped $2.00 per pound on January 7, marking the first time the butter price has been above the $2.00 per pound level during the month of January. The butter price increased by $0.43 per pound the week ending January 7, the strongest increase in the butter price since November 2000. The butter price closed at $2.10 per pound on January 14. According to the *Dairy Market News*, there is some concern that a price over $2.00 could decrease domestic consumer buying patterns and hamper export demand. Currently however, total butter stocks, as reported in the NASS Cold Storage Report, were roughly 70 million pounds in November 2010, below the 5-year average of about 117 million pounds.

The CME Nonfat Dry Milk price topped $1.40 per pound on January 14. The weekly NFDM price last topped $1.40 per pound during September 2008. Higher international pricing and weather conditions in Oceania are having an impact on U.S. prices. CME Block Cheddar cheese price closed just above $1.52 per pound on January 14.

Current Demand Outlook

Interestingly, very strong milk prices are predicted at a time when milk production has been strong, averaging 3.1 percent increases each month since June 2010. Increasing milk supplies normally put downward pressure on milk prices. This would imply that overall demand is expected to keep pace with increasing milk supplies. There are some indications of strong demand both internationally and domestically.

Through November 2010, total export volume of milk powders, whey, lactose, cheese, and butterfat was up 39 percent from 2009 and up 13 percent over 2008's record export volume. If 2010 exports reach 29.3 billion pounds, on a milk equivalent skim solids basis, as projected by USDA, they would represent 15.3 percent of farm marketings.

At the same time, the Restaurant Performance Index topped 100 in October and was 99.9 in November. Though not at levels indicating strong growth in the restaurant sector, the index, with recent months over 100, is well above levels seen since late 2007 that included record lows near 96.5. The Expectations Index, which measures restaurant operators' six-month outlook, was 101.2 in November. A figure over 100 signals expansion in the industry—a positive sign for domestic dairy demand as considerable volumes of dairy products are consumed in the food service sector.

Feed Prices High As Well

On Friday, January 14, the CME corn futures price hit $6.62 per bushel for July 2011 and soybean futures for the same month hit $14.34 per bushel (both new highs). Feed price futures have increased following the latest World Agricultural Supply and Demand Estimates (WASDE) report cut projected corn yields, production, and ending stocks, and increased ethanol use. The year end stocks-to-use ratio is predicted to be 5.5 percent, down from 13.1 percent a year ago, and the lowest in 15 years.❖

Pool Summary for All Federal Orders, January–December, 2009–2010

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2009	2010	Change	2009	2010	2009	2010
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**23,497,425,683**	**24,334,721,891**	**3.6**	**1.65**	**2.51**	**13.01**	**16.92**
5	Appalachian	5,950,397,772	6,041,773,553	1.5	N/A	N/A	14.00	17.94
6	Florida	3,027,183,629	2,901,728,440	(4.1)	N/A	N/A	16.12	20.12
7	Southeast	7,169,318,086	7,001,123,700	(2.3)	N/A	N/A	14.25	18.07
30	Upper Midwest	32,183,931,975	33,805,660,004	5.0	0.26	0.43	11.62	14.84
32	Central	12,685,174,559	13,351,663,213	5.3	0.41	1.05	11.77	15.46
33	Mideast	16,595,746,586	16,021,616,543	(3.5)	0.75	1.43	12.11	15.84
124	Pacific Northwest	7,470,190,925	8,010,815,734	7.2	0.41	1.02	11.76	15.42
126	Southwest	10,808,789,521	11,210,369,525	3.7	1.46	2.08	12.82	16.48
131	Arizona	4,042,238,490	4,231,877,559	4.7	N/A	N/A	12.10	15.86
All Market Total/Average		123,430,397,226	126,911,350,162	2.8	0.83	1.42	12.96	16.69

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

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Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	916,931,689	$12.36	113,332,756.76	
Butterfat	18,276,849	2.3673	43,266,784.64	
Less: Location Adjustment to Handlers			(3,442,651.54)	$153,156,889.83
Class II— Butterfat	26,728,733	1.8022	48,170,522.62	
Nonfat Solids	30,183,036	1.0900	32,899,509.24	81,070,031.86
Class III— Butterfat	21,747,067	1.7952	39,040,334.69	
Protein	16,480,121	2.1706	35,771,750.63	
Other Solids	29,859,219	0.1852	5,529,927.36	80,342,012.68
Class IV— Butterfat	12,907,367	1.7952	23,171,305.22	
Nonfat Solids	21,848,180	1.0068	21,996,747.62	45,168,052.84
Total Classified Value				**$359,736,987.21**
Add: Overage—All Classes				95,204.81
Inventory Reclassification—All Classes				(846,083.32)
Other Source Receipts	341,912 Pounds			14,424.05
Total Pool Value				**$359,000,532.75**
Less: Producer Component Valuations @ Class III Component Prices				(306,043,888.11)
Total PPD Value Before Adjustments				**$52,956,644.64**
Add: Location Adjustment to Producers				10,784,584.01
One-half Unobligated Balance—Producer Settlement Fund				750,126.18
Less: Producer Settlement Fund—Reserve				(961,369.36)
Total Pool Milk & PPD Value	2,062,661,868 Producer pounds			**$63,529,985.47**
Producer Price Differential		**$3.08**		
Statistical Uniform Price		**$16.91**		

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