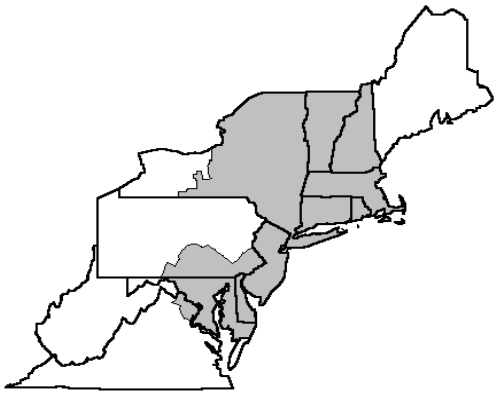


The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2012 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 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $19.37 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $20.26 per hundredweight. The January statistical uniform price was 20 cents per hundredweight below the December price. The January producer price differential (PPD) at Suffolk County was $2.32 per hundredweight, an increase of $1.52 per hundredweight from last month.

During January, all commodity prices declined except dry whey. Cheese dropped nearly 20 cents per pound; as a result, the protein component price declined and the Class III price dropped $1.72. The Class I price was the only class price to increase because it is announced in advance and based off of prices from the previous month (prior to the cheese price decline). Due to the higher Class I price and lower other class prices, primarily Class III, the PPD rose from the previous month.

The volume of producer milk receipts utilized in Class I was the smallest for the month of January, while the Class II volume was the largest for this month since the Order's inception. The average producer other solids test set a record high for the month of January.❖

USDA Issues Final Rule Amending Dairy Product Mandatory Reporting Program

The U.S. Department of Agriculture has issued a final rule amending the Dairy Product Mandatory Reporting Program as required by law.

The Mandatory Price Reporting Act of 2010 amends the Agricultural Marketing Act of 1946 to provide for the establishment of an electronic reporting system for manufacturers to report dairy product sales information for specific dairy products. The amendment further states that the Secretary shall publish the information obtained for the preceding week not later than 3:00 p.m. Eastern Time on Wednesday of each week.

The rule transfers applicable data collection responsibilities from the National Agricultural Statistics Service to the Agricultural Marketing

(continued on page 3)

Pool Summary

- A total of 12,727 producers were pooled under the Order with an average daily delivery per producer of 5,241 pounds.
- Pooled milk receipts totaled 2.068 billion pounds, an increase of 2.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 41.2 percent of total milk receipts, a decrease of 2.5 percentage points from December.
- The average butterfat test of producer receipts was 3.81 percent.
- The average true protein test of producer receipts was 3.11 percent.
- The average other solids test of producer receipts was 5.76 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	41.2	852,848,141
Class II	23.1	477,688,652
Class III	23.3	481,369,505
Class IV	12.4	256,093,095
Total Pooled Milk		2,067,999,393

Producer Component Prices

	2012	2011
	$/lb	
Protein Price	2.7326	1.7590
Butterfat Price	1.7178	2.0239
Other Solids Price	0.5032	0.2002

Class Price Factors

	2012	2011
	$/cwt	
Class I	22.05	18.45
Class II	17.67	16.79
Class III	17.05	13.48
Class IV	16.56	16.42

2011 Class I Sales Decline Greater than National Average

Sales of fluid milk products in the Northeast Milk Marketing Area (NMA) as reported by pool handlers regulated under the Order totaled 8.5 billion pounds in 2011, down 2.3 percent from 2010, the largest decline since the Order's inception. This follows a decrease of 1.1 percent during 2010. The total 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 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 accompanying table shows Northeast sales by product for 2011, change from previous year, proportion of total estimated U.S. sales, and per capita sales.

Sales by Product

In the Northeast, all categories of fluid milk products showed decreases in 2011 except organic milk products and eggnog. Organic whole milk jumped 10.7 percent while organic fat-reduced milk (includes organic reduced fat, lowfat, fatfree, and flavored fat-reduced products) grew 10.4 percent. Eggnog experienced a 3.7 percent increase from 2010.

Nationally, estimated sales of Class I products (all federal order marketing areas and California, the total of which accounts for approximately 92 percent of total U.S. sales) declined 1.6 percent in 2010. Declines occurred in most of the same categories. The only differences were in lowfat (1%) and buttermilk, which grew 0.7 percent and 0.9 percent, respectively, and eggnog that declined nearly 22 percent. Even greater increases were experienced nationally in organic sales with organic whole rising 17.0 percent and organic fat-reduced milk growing 14.7 percent from 2010.

Proportion of US Sales

As a proportion of total U.S. sales, NMA sales accounted for 15.8 percent of the total; slightly down from 2010. The Northeast continues to be a large consumer of whole milk, accounting for 19.3 percent of the U.S. total. In addition, the Northeast accounts for 23.3 percent of all low fat and 18.1 percent of all fat-free sales. NMA sales also accounted for 20.1 percent of total organic whole and 16.6 percent of organic fat-reduced, which equaled a combined total of 17.4 percent of total U.S. organic milk sales, down from 18.2 in 2010.

Per Capita Sales

The estimated total population for 2011 in the NMA was 53.9 million people, as reported by the Bureau of Census; this is up from 53.7 million in 2010. On a per capita basis in the NMA, the average person consumed 157.9 fluid pounds (about 18 gallons) in 2011, down from 162.3 in 2010. Even though sales declined, whole milk remains the most popular product in the NMA with 49.1 pounds; reduced fat was next with 35.7 pounds, and low fat and fat-free followed at 30.7 and 25.9 pounds, respectively. Flavored milk and drinks equaled 8.7 pounds in 2011, down from 9.1 pounds the previous year. Combined organic sales totaled 6.8 pounds, up from 6.1 pounds in 2010.

Nationally, estimated per capita sales equaled 172.7 pounds (about 20 gallons), down from 176.7 pounds in 2010, but 9.3 percent higher than in the NMA. Reduced fat milk was the most popular product nationally, followed by whole milk, fat-free, and lowfat. Flavored milk and drinks totaled 14 pounds nationally, considerably higher than in the NMA. Nationally, combined organic sales equaled 6.7 pounds in 2011, slightly below the Northeast.❖

Sales of Fluid Milk Products in the Northeast Milk Marketing Area, 2011, with Comparisons to U.S. Totals

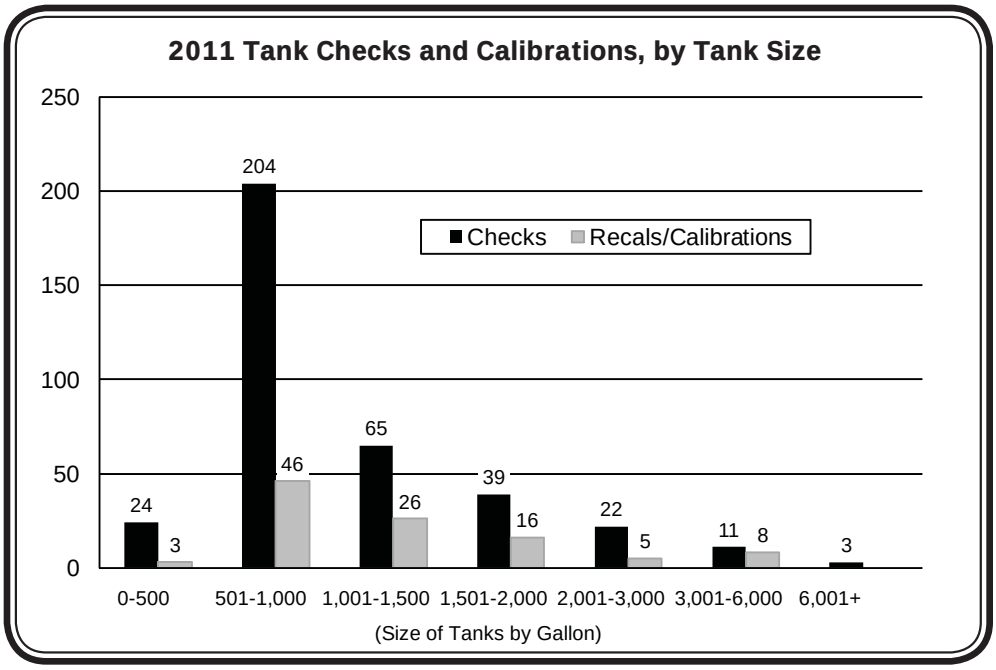
Product	Total Sales		Change from 2010		Proportion of Total Sales	Per Capita Sales	
	Northeast	U.S.	Northeast	U.S.		Northeast	U.S.
	million pounds		percent			pounds	
Whole Milk	2,649	13,719	(3.3)	(2.9)	19.3	49.1	44.0
Organic Whole Milk	101	504	10.7	17.0	20.1	1.9	1.6
Reduced Fat Milk	1,926	18,219	(2.3)	(1.8)	10.6	35.7	58.5
Low Fat Milk	1,656	7,096	(1.4)	0.7	23.3	30.7	22.8
Fat-Free Milk	1,395	7,729	(3.6)	(3.5)	18.1	25.9	24.8
Flavored Milk and Drinks	468	4,341	(4.6)	(2.6)	10.8	8.7	13.9
Organic Fat-Reduced Milk	263	1,582	10.4	14.7	16.6	4.9	5.1
Buttermilk, eggnog, other	58	631	1.8	(5.5)	9.3	1.1	2.0
Total/Average	8,516	53,820	(2.3)	(1.6)	15.8	157.9	172.7

Market Services 2011 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 26,556 miles in 2011. The market service department checked 368 farm bulk tanks throughout the Northeast Marketing Area milkshed during the 2011 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.



Checks/Calibration Results

Of the 368 tanks checked, 34 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. Including the recalibrations, a total of 104 calibrations were performed; these included other reasons 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 checks and calibrations total at least 439 farm visits. A breakdown of checks and calibrations/recalibrations by tank size are shown in the accompanying table. A tentative schedule for the calibration trucks during the upcoming season is

Tentative Calibration Truck Schedule, 2012

Month	Area
April	Central New York/Northern Pennsylvania Southeast Pennsylvania
May	Vermont and New Hampshire Southeast Pennsylvania
June	Eastern New York Central Pennsylvania
July	Southeast Pennsylvania Western New York
August	Central New York/Northern New York Eastern New York
September	New Jersey/Connecticut Maine
October	Western New York Central Pennsylvania
November	Eastern New York Southest Pennsylvania

USDA Final Rule *(continued from page 1)*

Service (AMS). USDA uses the sales data reported to determine minimum class prices for milk marketed through the Federal Milk Marketing Order Program. The rule will result in Advance Class I Price and Advance Pricing Factors and Class and Component Prices being released by the Market Admnistrator on a Wednesday instead of a Friday. The rule does not impact payment dates to producers.

For additional information, including the schedule of reports, please visit www.ams.usda.gov/AMSv1.0/DairyProductMandatoryReporting. The final rule will appear in the February 15, 2012, *Federal Register*. For additional information about the final rule, contact Joe Gaynor; Market Information Branch Chief, Dairy Programs, AMS, USDA, STOP-0232 Room 2977, 1400 Independence Ave., SW, Washington, DC 20250-0232; phone (202) 720-9351; or e-mail at Joseph.Gaynor@ams.usda.gov.❖

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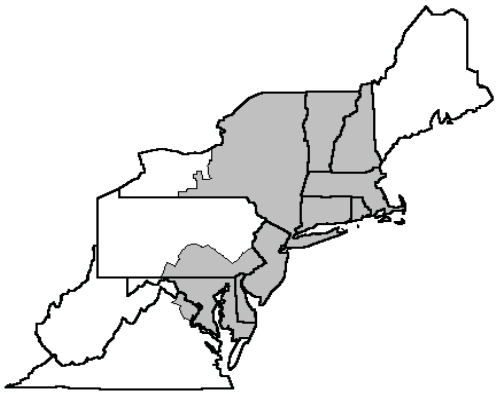
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	837,271,818	$16.42	137,480,032.52	
Butterfat	15,576,323	1.7720	27,601,244.36	
Less: Location Adjustment to Handlers			(2,850,201.18)	$162,231,075.74
Class II— Butterfat	28,553,974	1.7248	49,249,894.36	
Nonfat Solids	41,430,693	1.3389	55,471,554.91	104,721,449.27
Class III– Butterfat	20,930,198	1.7178	35,953,894.11	
Protein	15,028,769	2.7326	41,067,614.18	
Other Solids	27,556,684	0.5032	13,866,523.36	90,888,031.65
Class IV– Butterfat	13,697,180	1.7178	23,529,015.84	
Nonfat Solids	22,375,022	1.2141	27,165,514.22	50,694,530.06
Total Classified Value				**$408,535,086.72**
Add: Overage—All Classes				26,629.81
Inventory Reclassification—All Classes				34,384.09
Other Source Receipts	2,608,796 Pounds			93,911.35
Total Pool Value				**$408,690,011.97**
Less: Producer Component Valuations @ Class III Component Prices				(371,096,653.04)
Total PPD Value Before Adjustments				**$37,593,358.93**
Add: Location Adjustment to Producers				10,540,241.07
One-half Unobligated Balance—Producer Settlement Fund				814,166.13
Less: Producer Settlement Fund—Reserve				(909,656.07)
Total Pool Milk & PPD Value	2,070,608,189 Producer pounds			**$48,038,110.06**
Producer Price Differential		**$2.32**		
Statistical Uniform Price		**$19.37**		

* 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 2012 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 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $18.09 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $18.82 per hundredweight. The February statistical uniform price was $1.28 per hundredweight below the January price. The February producer price differential (PPD) at Suffolk County was $2.03 per hundredweight, a decrease of 29 cents per hundredweight from last month.

During February, all dairy product prices decreased resulting in lower component and class prices. Due to the price declines that occurred in the first two weeks of January, primarily the 20-cent drop in the cheese price, the Class I price for February decreased almost $2.00 per hundredweight. The Class II priced dropped 73 cents, Class III nearly a dollar, and Class IV was down 64 cents. The tightening in the price spread between classes resulted in a lower PPD.

The volume of producer milk receipts utilized in Class I was the smallest for the month of February, while the Class II volume was the largest for this month since the Order's inception. The average producer other solids test set a record high for the month of February.❖

Market Situation and MILC Payments

Milk Price

The milk price has softened due to stronger milk production in recent months. In January 2012, milk production in the "Top 23 States" grew 3.7 percent over a year ago, the largest increase since September 2010. According to USDA, continued strong growth may put downward pressure on milk prices early in 2012. USDA is predicting the number of milk cows to decline later in the year, and high feed prices may negatively impact milk per cow.

On the demand side, the United States exported 13.3 percent of the total milk solids produced in this country during 2011, but exports are forecasted to be about 5 percent lower in 2012. The Restaurant Performance Index stood at 101.3 in January, the third straight month

(continued on page 3)

Pool Summary

- A total of 12,704 producers were pooled under the Order with an average daily delivery per producer of 5,375 pounds.
- Pooled milk receipts totaled 1.980 billion pounds, an increase of 2.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.9 percent of total milk receipts, a decrease of 1.3 percentage points from January.
- The average butterfat test of producer receipts was 3.79 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.75 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.9	790,479,040
Class II	24.8	491,687,414
Class III	23.5	465,371,766
Class IV	11.8	232,665,212
Total Pooled Milk		1,980,203,432

Producer Component Prices

	2012	2011
	$/lb	
Protein Price	2.6627	2.5586
Butterfat Price	1.5739	2.2967
Other Solids Price	0.4541	0.2310

Class Price Factors

	2012	2011
	$/cwt	
Class I	20.28	19.14
Class II	16.94	17.97
Class III	16.06	17.00
Class IV	15.92	18.40

U.S. Milk Production Increases During 2011

Total milk production in the United States grew 1.8 percent in 2011. This follows an increase of 1.9 percent in 2010. The top ten milk-producing states rose 2.0 percent, but not as strong as the 2.5 percent increase in 2010. The top 23 states as reported by the National Agricultural Statistics Service (NASS) increased 2.7 percent. The accompanying table shows the top ten states ranked by their total 2011 production.

Top Producing States-Texas Rises in Rank

The top ten list contained the same states as in 2010, but Texas displaced Minnesota in the number six spot. Texas production jumped 8.5 percent in 2011. All top ten states reported increases except Minnesota and Pennsylvania, which showed declines of 2.3 and 1.2 percent, respectively.

Other changes within NASS' list of the top 23 included the switch-back of Kansas into the number 16 position (last year it was displaced by Vermont, which dropped back into number 17 in 2011) and the displacement of Iowa by Arizona, moving up from number 13 to number 12. Missouri, which NASS includes in their top 23, dropped to the number 25 spot, surpassed by Georgia, now 24, and South Dakota, again at 21. NASS does not change the make-up of their top 23 list each year.

Top Ten States, Ranked by Milk Production, 2011

Rank	State	2010	2011	Percent Change
1	California	40,385	41,462	2.7
2	Wisconsin	26,035	26,117	0.3
3	Idaho	12,779	13,256	3.7
4	New York	12,713	12,826	0.9
5	Pennsylvania	10,737	10,604	(1.2)
6	Texas	8,828	9,582	8.5
7	Minnesota	9,102	8,890	(2.3)
8	Michigan	8,333	8,478	1.7
9	New Mexico	7,881	8,177	3.8
10	Washington	5,901	6,169	4.5
	Top Ten Total	142,694	145,561	2.0
	U.S. Total	192,848	196,245	1.8

Source: NASS, *Milk Production.*

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 a slight 0.2 percent in 2011. Production in the 3 top producing states in the milkshed (New York, Pennsylvania, and Vermont) was flat. The only states in the milkshed with increases in production were Delaware (1.7 percent), Maine (1.9 percent), Rhode Island (1.0 percent), New York (0.9 percent) and Vermont (0.7 percent). The remaining 7 states showed declines or no change from the previous year. For more detail on milk in the Northeast, see the related article in this *Bulletin* that discusses milk pooled by county.

Cow Numbers and Production per Cow

Nationally, the number of milk cows increased 0.8 percent in 2011, after declining the past 2 years. Overall, more states decreased (40 percent) their cow numbers than increased (34 percent). Of those increasing cow numbers, seven were in the top ten states. Thirteen states (26 percent) had no change. In the Northeast milkshed states, milk cow numbers declined 0.4 percent. The combined total for New York, Pennsylvania, and Vermont was down a slight 0.2 percent; Vermont decreased of 1.5 percent, New York 0.2 percent, and Pennsylvania had no change.

Average milk production per cow grew 0.9 percent nationally; this follows an increase of 2.8 percent in 2010. For the Northeast, the increase was 0.2 percent. The U.S. average milk per cow was 21,345 pounds in 2011; the average was 19,885 pounds in the Northeast states. Milk per cow for the Northeast states has risen, but still trails behind the national average. States in the western part of the country continue to have higher milk production per cow than the U.S. average.❖

Top Producing Counties-Northeast Milkshed

In 2011, the top ten counties in terms of milk pooled on the Northeast Order accounted for 33.6 percent of all milk pooled during the year. This is the highest proportion since the Order's inception in 2000. Pooled milk receipts do not necessarily account for all milk produced in the county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures. The table on page 3 shows the top ten ranked counties for 2011 based on their volume pooled on the Order.

Change in Rankings Over the Years

Since the Northeast Order's inception, Lancaster County, PA, has led all counties, accounting for 9.1 percent of total milk pooled on the Order in 2011. This percentage is down slightly from 9.2 percent in 2010 and a high of 9.5 percent from 2007 through 2009. Lancaster's pooled production is more than 2.5 times the level of the second-ranked county and has been consistently since 2000. Cayuga County, NY, was ranked number 9 in 2000, rose throughout the years to the number 2 spot in 2009, and remained there in 2011. The Franklin Counties in both PA and VT have been in the top ten since the Order began, for many years in the number 2 and 3 spots, respectively, and for the past 3 years, in the third and fourth positions.

Addison County, VT, and the NY counties of St. *(continued on page 3)*

Top Producing Counties *(continued from page 2)*

Lawrence, Wyoming, and Jefferson, have all appeared in the top ten rankings since the Order's inception. Lewis County, NY, and Lebanon County, PA, have been in the top ten most years, but due to pooling changes, other counties such as Bradford in PA and Oneida in NY, also have appeared at times.

Proportion of Farms and DDP

Overall, the top ten counties accounted for 28.8 percent of all farms shipping to handlers regulated on the Northeast Order in 2011. Lancaster County, alone, accounted for 13.7 percent of all farms on the Order. Of the top ten producing counties, Cayuga, had the least number of farms, only 116 (0.9 percent of all farms), but had the second largest volume of milk.

The top ten counties combined average daily deliveries per producer (DDP) equaled 5,950 pounds in 2011, up from 5,764 in 2010 and 3,918 in 2000. Cayuga reported the highest average DDP in 2011 with 20,334 pounds, up from 19,425 in 2010 and 7,772 in 2000. Both Addison and Wyoming counties reported DDP over 12,000 pounds while Lancaster had the lowest of the top ten with 3,393 pounds. The average for all producers shipping on the Order during 2011 was 5,108 pounds.❖

Top Ten Counties Pooling on the Northeast Order, 2011

Rank	County	State	Volume Pooled on Order	Number of Farms	DDP
			million lbs		
1	Lancaster	PA	2,211.9	1,786	3,393
2	Cayuga	NY	861.0	116	20,334
3	Franklin	PA	734.2	331	6,077
4	Franklin	VT	714.7	207	9,459
5	St. Lawrence	NY	703.3	341	5,651
6	Addison	VT	669.4	151	12,146
7	Wyoming	NY	630.7	141	12,255
8	Jefferson	NY	630.0	210	8,220
9	Lebanon	PA	520.2	267	5,338
10	Lewis	NY	507.7	218	6,381
	Top Ten Total		8,183.3	3,768	5,950
	Total Pooled on Order		24,376.2	13,074	5,108
	Top Ten Proportion (%)		33.6	28.8	

Source: Northeast Order audited producer payroll reports.

Market Situation *(continued from page 1)*

over 100, a mark that indicates expansion in factors such as sales, traffic, labor, and capital expenditures. The Consumer Confidence Index increased in February to 70.8, from 61.5 in January, indicating less pessimism among U.S. consumers about current business and labor market conditions. These two leading indicators of domestic demand are an encouraging sign that the domestic market continues to slowly improve and may absorb some of the production gains that may not find an export market.

Feed Prices

Chicago Mercantile Exchange (CME) futures prices for corn range from a high of $6.69 per bushel in March to a low of $5.64 per bushel in December. Soybean futures range from a high of $13.56 in March to a low of $13.11 per bushel in November. Forecasts by Rabo AgriFinance predict a seasonal uptick in the corn price for the second quarter of the year with some easing thereafter. Additional acres of corn planted should lead to the easing of prices later in the year, but the 2011–12 ending stocks-to-use ratio, forecast to be the lowest on record, may keep upward pressure on prices in the near term.

MILC Payments

If current trends in milk and feed prices play out as projected, Milk Income Loss Contract (MILC) payments can be expected. MILC payments are adjusted by feed prices reported in the National Agricultural Statistics Service (NASS) *Agricultural Prices,* which are not announced until the end of the next month. Based on preliminary estimated feed prices and CME futures prices, MILC payments are expected for February and projected to be paid much of the year. The February payment may be about $0.35 per hundredweight (cwt). Estimated payments from March through September may range from $0.22 to $1.19 per cwt, based on the March 14 CME prices and estimates for alfalfa hay prices relative to corn and soybeans.

The feed-adjusted MILC trigger price currently projects to average $20.89 per cwt for the year. The Class I price currently projects to average $19.69 per cwt for the year. The uniform price at Boston, Massachusetts, projects to average $17.96 per cwt for the year. Adding in projected MILC payments results in a total payment of $18.52 per cwt on average for the year.

MILC Limitations

The 2008 Farm Bill authorized continuation of the MILC program through September 30, 2012. Each operation's per year pound limit for payment eligibility is 2.985 million pounds for October 1, 2011, through September 30, 2012. An operation must pick a start month for each fiscal year, and once picked, any marketings in that month and subsequent months of the fiscal year that generate a payment will count against the operation's fiscal year limit. Due to the pounds limit and the start month concept, monitoring the start of and level of MILC payments is important. Contact your local Farm Service Agency office for rules covering payment start dates.❖

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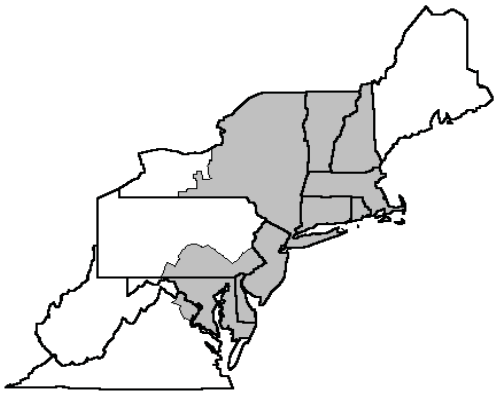
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	776,122,056	$14.67	113,857,105.62	
Butterfat	14,356,984	1.7495	25,117,543.51	
Less: Location Adjustment to Handlers			(2,663,566.13)	$136,311,083.09
Class II— Butterfat	28,008,629	1.5809	44,278,841.58	
Nonfat Solids	42,595,358	1.3133	55,940,483.71	100,219,325.29
Class III– Butterfat	20,506,700	1.5739	32,275,495.15	
Protein	14,276,229	2.6627	38,013,314.97	
Other Solids	26,583,399	0.4541	12,071,521.51	82,360,331.63
Class IV– Butterfat	12,222,907	1.5739	19,237,633.33	
Nonfat Solids	20,272,272	1.1993	24,312,535.84	43,550,169.17
Total Classified Value				**$362,440,909.18**
Add: Overage—All Classes				23,484.25
Inventory Reclassification—All Classes				(63,654.04)
Other Source Receipts	2,775,913 Pounds			72,062.00
Total Pool Value				**$362,472,801.39**
Less: Producer Component Valuations @ Class III Component Prices				(332,387,443.91)
Total PPD Value Before Adjustments				**$30,085,357.48**
Add: Location Adjustment to Producers				10,100,674.39
One-half Unobligated Balance—Producer Settlement Fund				953,020.40
Less: Producer Settlement Fund—Reserve				(884,571.59)
Total Pool Milk & PPD Value	1,982,979,345 Producer pounds			**$40,254,480.68**
Producer Price Differential		**$2.03**		
Statistical Uniform Price		**$18.09**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 2012 Federal Order No. 1

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

March Pool Price Calculation

The March 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.64 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 $18.19 per hundredweight. The March statistical uniform price was 45 cents per hundredweight below the February price. The March producer price differential (PPD) at Suffolk County was $1.92 per hundredweight, a decrease of 11 cents per hundredweight from last month.

During March, all dairy product prices decreased slightly resulting in lower component and class prices. The March Class I price of $19.55 marked the first time since February 2011 that the Class I price was below $20.00 per hundredweight. The Class I price was 73 cents below the February price. The other class prices decreased 35, 34, and 57 cents, respectively, for Classes II, III, and IV. Of the commodity prices, the cheese price had the least decline, resulting in little change to the protein price, which has been the largest contributor to producers' overall pay price since June 2011.

The volume of producer milk receipts utilized in Class I was the smallest for the month of March, while the Class II volume was the largest for this month since the Order's inception. The average producer other solids test set a record high for the month of March.❖

USDA Announces Equivalent Price Series

On April 12 the USDA announced that the dairy product price series published in the *National Dairy Products Sales Report* released by the Agricultural Marketing Service (AMS) is equivalent to the price series previously released by the National Agricultural Statistics Service (NASS) in the *Dairy Products Prices* report. These prices are used in the price discovery mechanism for raw milk component values, which are then used in determining federal milk market order minimum classified milk prices.

(continued on page 3)

Pool Summary

- A total of 12,702 producers were pooled under the Order with an average daily delivery per producer of 5,488 pounds.
- Pooled milk receipts totaled 2.161 billion pounds, an increase of 2.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.8 percent of total milk receipts, a decrease of 0.1 percentage points from February.
- The average butterfat test of producer receipts was 3.74 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.76 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.8	860,882,955
Class II	25.1	542,660,861
Class III	22.7	490,377,377
Class IV	12.4	267,006,890
Total Pooled Milk		2,160,928,083

Producer Component Prices

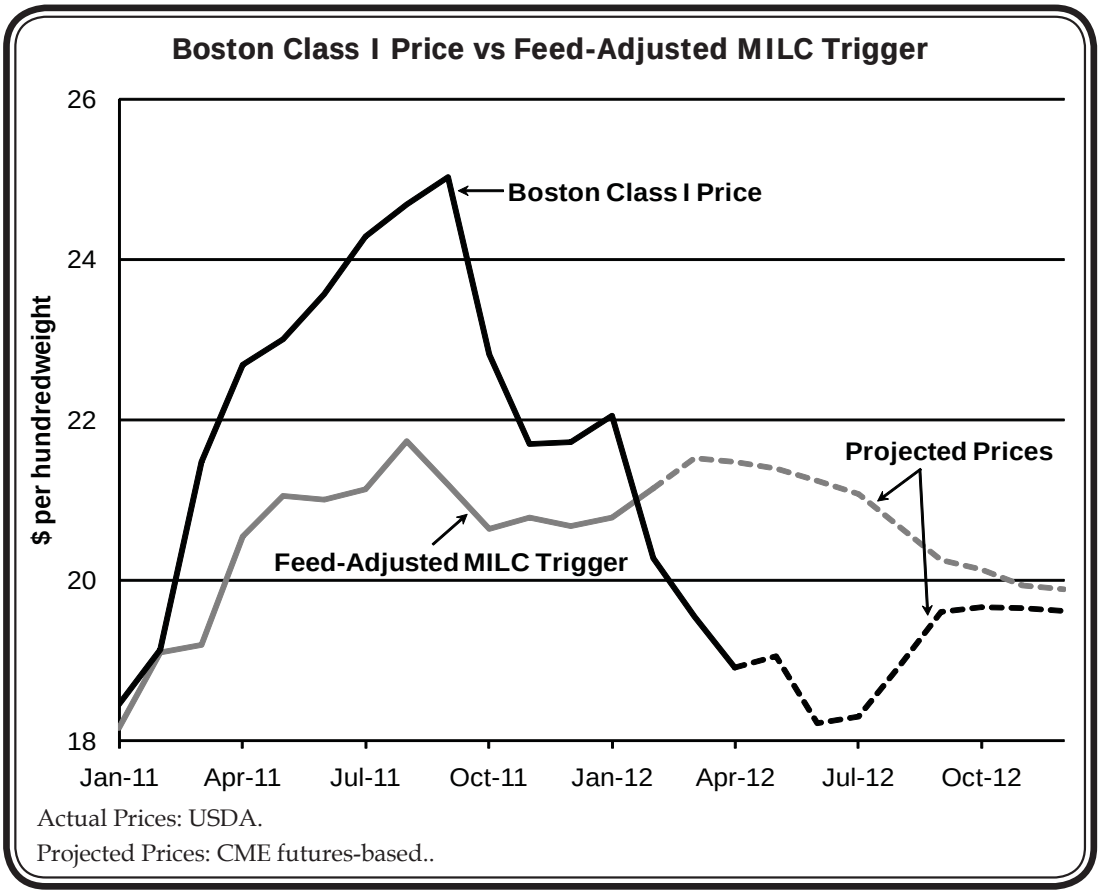
	2012	2011
	$/lb	
Protein Price	2.6571	3.3024
Butterfat Price	1.5297	2.2859
Other Solids Price	0.4239	0.2665

Class Price Factors

	2012	2011
	$/cwt	
Class I	19.55	21.48
Class II	16.59	18.83
Class III	15.72	19.40
Class IV	15.35	19.41

MILC Payment in February, More Payments Expected

With milk prices trending down, and the price of feed remaining at high levels, a Milk Income Loss Contract (MILC) payment was triggered for the month of February 2012. It is the first such payment since April 2010 and the second since a string of 10 payments were made in 2009.



Actual Prices: USDA.
Projected Prices: CME futures-based..

Steadily High Feed Prices

That a MILC payment has been triggered during a first quarter in which the average price for the quarter ranks the third highest when compared to all first quarters since 2000, is indicative of the high level of feed prices producers are facing, since the MILC program contains an adjustment for feed costs. Strong export demand for corn and soybeans coupled with tight U.S. supply are supporting current levels of feed prices. The feed-adjusted trigger for MILC payments has been relatively stable from April 2011 through February 2012, ranging $1.18 per hundredweight (cwt). Comparatively, the Class I price has ranged $4.75 during the same time period. The accompanying chart shows the feed-adjusted MILC trigger price and the Northeast Order Class I price at Boston, MA, since January 2011.

Using April 13 Chicago Mercantile Exchange (CME) futures prices for milk and feed, MILC payments are projected to be made in every month from March through September, at an average payment of $0.96 per cwt. Currently the highest payment projected is for June at $1.36 per cwt. The MILC program is currently only authorized through September 2012, as per the 2008 Farm Bill. The payment rate for September changes to 36 percent of the difference between the feed-adjusted trigger price and the Class I price. All other months are calculated at 45 percent of that difference, again, as maintained by law.

Uniform Price Plus MILC

Currently, CME futures-based estimates project the uniform price at Boston, MA, to average $17.71 per cwt for the year, which would be about $3.00 per cwt lower than the 2011 average uniform price. Adding projected MILC payments would result in an average price to producers of about $18.30 per cwt for the year, close to price levels in 2008, which rank as third highest since 2000.

Limitations

Each farm operation's per year pound limit for payment eligibility is 2.985 million pounds for October 1, 2011, through September 30, 2012. An operation must pick a start month for each fiscal year, and once selected, any marketings in that month and subsequent months of the fiscal year that generate a payment will count against the operation's fiscal year limit. Due to the pounds limit and the start month concept, monitoring the start of and level of MILC payments is important. Contact your local Farm Service Agency office for rules covering payment start dates.❖

Annual Bulletin Available

The 2011 Annual Statistical *Bulletin* for the Northeast Milk Marketing Area is now available. The report summarizes pool and price data through a series of tables and charts. It can be found on our website at www.fmmone.com. Copies may be requestes free of charge by contacting the Albany office at (518)452-4410 or E-mail: MAAlbany@fedmilk1.com.❖

Biennial Container Survey Summary

The 2011 container sales survey was recently completed for the Northeast Milk Marketing Area. This survey is conducted biennially and records packaged sales data for the month of November. For more detail regarding the data collected, see the November 2011 *Bulletin*. In addition to regulated pool handlers, this survey also collects data from partially regulated handlers, exempt distributors, and producer-handlers. For the most part, data are collected in units; for this article, changes are based on the converted pounds of the sales volumes.

Product Type

Packaged sales totaled 880.1 million pounds in November 2011, up a slight 0.8 percent from 2009. Similar to the breakdown reported in the January *Bulletin*, whole milk accounted for the largest proportion of sales (29.1 percent), followed by reduced fat (23.1 percent), lowfat (18.3 percent), and fatfree (15.9 percent). These are relatively unchanged from the 2009 survey. The category showing the greatest increase was organic milk products (all fat levels and flavored) that grew to 4.5 from 3.8 percent.

Container Type

The proportion of products sold in plastic containers grew a slight 0.3 percentage points to 78.2 percent while paper containers decline to 21.5 percent and glass remained at 0.3 percent of all sales in November 2011. Sales of milk in single serve plastic containers declined from 3.4 percent of all plastic in 2009 to 2.9 percent in 2011. These containers mainly consist of half-pints, followed by pints and 14, 12, and 10 ounce sizes.

Container Size

Gallon-size containers continued to dominate in the Northeast Area although there was a slight decline to 54.8 percent from 55.3 percent in 2009. Half-gallons (both plastic and paper) had the second-largest share with 26.5 percent, up slightly from 26.3 percent in 2009. Paper half-pints accounted for 6.9 percent, followed by quarts (plastic and paper) with 5.3 percent. In the largest container sizes, 6-gallon declined slightly from 0.3 to 0.2 percent in 2011 while 5-gallon rose from 0.9 to 1.2 percent in 2011.

Method of Distribution

Wholesale distribution continued to account for nearly all sales in the marketing area with 99.7 percent; the remainder was home delivery, unchanged from past surveys. Of all sales, supermarkets accounted for 41.0 percent, dairy and convenience stores 10.4 percent, institutional (military and schools) 5.3 percent, and other wholesale (superstores, hyper markets, wholesales clubs) had 43 percent 2011.❖

USDA Announces *(continued from page 1)*

AMS previously used the NASS prices in the determining the values; however, the responsibility for the collection of dairy product sales data was transferred from NASS to AMS effective April 1, 2012, at which time NASS discontinued the publication of its *Dairy Products Prices* report. The *National Dairy Products Sales Report* incorporates the previously published sales data from the *Dairy Products Prices* and will denote any revisions from previous weeks that appear in the current issue.

For more information regarding the change in reporting, see the January 2012 *Bulletin* article that discusses the Dairy Product Mandatory Reporting Program.❖

Pool Summary for All Federal Orders, January–March, 2011–2012

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2011	2012	Change	2011	2012	2011	2012
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**6,181,938,798**	**6,209,130,908**	**(0.7)**	**2.05**	**2.09**	**18.68**	**18.37**
5	Appalachian	1,468,758,088	1,558,946,126	5.0	N/A	N/A	19.65	19.49
6	Florida	771,083,647	752,711,227	(3.5)	N/A	N/A	21.53	21.76
7	Southeast	1,854,293,083	1,835,331,149	(2.1)	N/A	N/A	19.63	19.69
30	Upper Midwest	8,032,117,915	8,522,431,961	4.9	0.30	0.31	16.93	16.59
32	Central	3,195,833,415	4,219,466,548	30.6	0.71	0.65	17.34	16.93
33	Mideast	3,883,591,235	4,549,657,023	15.9	0.99	0.98	17.62	17.26
124	Pacific Northwest	1,971,645,151	2,085,829,643	4.6	0.97	0.57	17.59	16.85
126	Southwest	2,552,197,961	3,279,799,132	27.1	1.70	1.60	18.33	17.88
131	Arizona	1,161,920,835	1,245,109,867	6.0	N/A	N/A	18.04	17.15
All Market Total/Average		31,073,380,128	34,258,413,584	9.0	1.12	1.03	18.53	18.20

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

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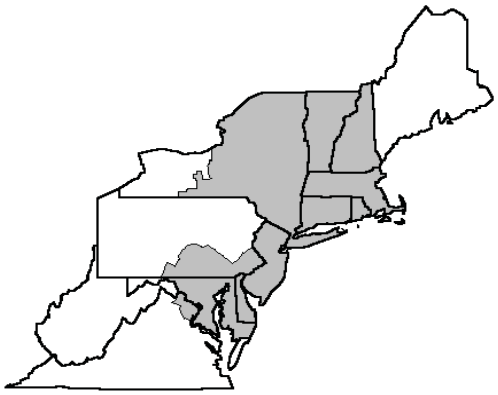
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	845,249,126	$14.21	120,109,900.80	
Butterfat	15,633,829	1.6680	26,077,226.77	
Less: Location Adjustment to Handlers			(2,853,045.77)	$143,334,081.79
Class II— Butterfat	31,554,041	1.5367	48,489,094.80	
Nonfat Solids	46,787,594	1.2911	60,407,462.62	108,896,557.42
Class III– Butterfat	22,369,854	1.5297	34,219,165.68	
Protein	14,892,723	2.6571	39,571,454.28	
Other Solids	27,998,579	0.4239	11,868,597.68	85,659,217.64
Class IV– Butterfat	11,342,444	1.5297	17,350,536.62	
Nonfat Solids	23,426,754	1.1516	26,978,249.89	44,328,786.51
Total Classified Value				**$382,218,643.36**
Add: Overage—All Classes				29,995.83
Inventory Reclassification—All Classes				52,746.54
Other Source Receipts	3,287,915 Pounds			74,145.09
Total Pool Value				**$382,375,530.82**
Less: Producer Component Valuations @ Class III Component Prices				(351,664,548.80)
Total PPD Value Before Adjustments				**$30,710,982.02**
Add: Location Adjustment to Producers				10,978,129.40
One-half Unobligated Balance—Producer Settlement Fund				811,696.62
Less: Producer Settlement Fund—Reserve				(947,860.81)
Total Pool Milk & PPD Value	2,164,215,998 Producer pounds			**$41,552,947.23**
Producer Price Differential		**$1.92**		
Statistical Uniform Price		**$17.64**		

* 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 2012 Federal Order No. 1

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

April Pool Price Calculation

The April 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.20 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $17.73 per hundredweight. The April statistical uniform price was 44 cents per hundredweight below the March price. The April producer price differential (PPD) at Suffolk County was $1.48 per hundredweight, also a decrease of 44 cents per hundredweight from last month.

During April, product prices for butter and cheese increased while prices for nonfat dry milk and dry whey decreased. As a result, the butterfat price rose and the prices for nonfat and other solids dropped; the protein price decrease slightly. All class prices declined except Class III that had no change from March. The combination of lower prices and higher utilization in the lower-priced classes resulted in a lower uniform price.

The volume of producer milk receipts utilized in Class I (777.0 million pounds) was the smallest for the month of April (see article below). The Class II volume was the largest for this month and the first time Class II usage was greater than 500 million for the month of April. Class IV utilization for April was the third highest ever. The average producer protein test for April tied with 2011 for a record high; the other solids test set a record high for the month of April.❖

Decline in Class I Volume Impacts Uniform Price

The volume of milk utilized as Class I (fluid milk products) for the month of April was the second lowest of the 148 monthly uniform price calculations that have occurred since the Northeast Order commenced in January 2000. The only month with a lower volume was July 2011, a month where historically Class I utilization declines as schools recess for the summer.

This year's volume was nearly 38 million pounds less than the April volume of a year ago, while the Class I price was $3.77 per hundredweight below April 2011 and some $6.25 less than the all

(continued on page 2)

Pool Summary

- A total of 12,698 producers were pooled under the Order with an average daily delivery per producer of 5,520 pounds.
- Pooled milk receipts totaled 2.103 billion pounds, an increase of 0.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 37.0 percent of total milk receipts, a decrease of 2.8 percentage points from March.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.77 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	37.0	776,957,450
Class II	24.1	506,080,450
Class III	23.1	486,565,960
Class IV	15.8	333,027,331
Total Pooled Milk		2,102,631,191

Producer Component Prices

	2012	2011
	$/lb	
Protein Price	2.6568	2.4984
Butterfat Price	1.5645	2.2113
Other Solids Price	0.4048	0.2902

Class Price Factors

	2012	2011
	$/cwt	
Class I	18.91	22.68
Class II	16.20	19.66
Class III	15.72	16.87
Class IV	14.80	19.78

Decline in Class I *(continued from page 1)*

time high Class I price, $25.16, set in September 2007. In some months the switching of the regulatory status of plants from one Federal Order to another Federal Order can result in changes in an order's overall utilization. That was not the case this April as there were no significant changes in the group of plants (Class I in particular) regulated by the Northeast Order when compared to April 2011. In some months the calendar composition can have an impact on total sales during the month. April 2011 had an additional Friday and one less Monday, compared to April 2012, with Friday perhaps being a stronger day in terms of milk sales during a typical week.

Impact on Statistical Uniform Price

The statistical uniform price (SUP) calculation is determined by the level of the class prices and the volume of milk utilized within each class (refer to page 4 of this Bulletin, *Computation of Producer Price Differential and Statistical Uniform Price* for more detail on how April's price was calculated). In simplest terms, the monthly SUP is a weighted average of the class prices (weighted by volume of milk per class) and is thus dependant upon the overall utilization of the Order. Handlers with milk utilizations in classes that have a class price above the SUP incur an obligation to the Market Administrator's producer settlement fund for the difference between the class price and the SUP. Handlers with milk utilizations in classes that are priced less than the SUP receive disbursements from the Market Administrator's producer settlement fund. Individual producers receive the component value for their milk at the Class III component prices, plus a proportionate share of dollars in the pool generated by any class prices above the SUP. This amount is the producer price differential (PPD), which is adjusted to where a producer's milk is delivered.

You have to go back to December 2008 to find a month where a class price, other than the Class I price, is greater than the SUP at Suffolk County, MA (Boston), thus requiring a handler with milk utilized in this other class to also incur a payment obligation to the producer settlement fund. Since the value for the PPD is largely derived from Class I milk, dips in the volume of Class I milk pooled on the order reduce the amount of money available to be returned in the monthly PPD. If the April 2012 pool was recalculated using the same volume of milk that was utilized as Class I in April 2011 (an extra 37.6 million pounds), while simultaneously removing an equivalent volume from what generally is considered the balancing or residual class, Class IV (dried milk products and butter), the SUP for April would have been 9 cents per hundredweight higher, holding all other class utilizations at their actual April 2012 volumes. ❖

Northeast Milk Production Lags Behind Other Areas

During the first quarter of 2012, total milk production in the United States grew 4.1 percent (leap-year adjusted) over the same period in 2011. In the Northeast (includes the New England states, New Jersey, New York, Pennsylvania, Delaware, Maryland, Virginia, and West Virginia), the increase for this period was only 1.1 percent. All 2012 comparisons have been adjusted for leap year.

Quarterly State Comparisons

For 2011, U.S. milk production rose 1.8 percent with increases of 2.2 percent during the first quarter, 1.3 percent during both the second and third quarters, and 2.3 for the fourth quarter. As mentioned in the opening statement, milk production this year is up considerably from last year with increases of 3.7 percent in January, 4.4 percent in February, and 4.2 percent in March. California, the leading milk-producing state, showed growth of 6.6 percent for the first quarter. Of the top ten milk-producing states, Michigan, Texas, and Washington all reported increases of 5.0 or greater for the same period. All of the top ten milk-producing states had production increases except Pennsylvania whose adjusted growth is flat. See accompanying table.

In the Northeast, the state with the highest increase for the first quarter was New York with 2.5 percent. The only other states reporting growth for the first quarter were Delaware (1.8 percent), Maine (1.6 percent), *(continued on page 3)*

Change in Milk Production

	Percent Change		
	2011 from:		1st Qtr 2012 from:
State/Area	2007	2009	2011
AZ	4.8	8.2	7.2
CA	1.9	4.9	6.6
FL	7.8	9.2	2.5
ID	14.8	9.1	4.0
MI	11.2	6.4	5.6
MN	2.7	(1.4)	1.5
NM	12.2	3.5	3.6
NY	6.0	3.2	2.5
OR	11.0	10.3	2.9
PA	(0.7)	0.5	(0.0)
TX	29.8	8.4	5.0
VT	0.3	2.8	(0.3)
WA	11.5	10.9	5.0
WI	8.5	3.5	3.8
Northeast	1.4	1.4	1.1
US	5.7	3.7	4.1

Source: NASS *Milk Production*.

Northeast Milk *(continued from page 2)*

Rhode Island (1.0 percent), Virginia (2.3 percent), and West Virginia (1.4 percent). Pooled milk receipts for the Northeast Order have averaged an increase of 2.3 percent for the same period.

Annual State Comparisons

When comparing U.S. milk production for 2011 to prior years, overall growth also has surpassed the Northeast. States in the western part of the country have had the greatest increases. Besides California, these include Arizona, Idaho, New Mexico, Oregon, and Washington. Michigan and Texas also have reported some of the larger increases. Minnesota and Wisconsin, along with New York, Pennsylvania, and Vermont, have reported more conservative growth and even some decreases.

County Highlights

Within the Northeast's top three milk-producing states (New York, Pennsylvania, and Vermont), certain counties have experienced significant growth. In central New York, Cayuga County has reported increases for 2011 of 7.4 percent from 2009 and 51.7 percent from 2007. Production for 2011 in Wyoming County, NY, was 3.6 percent above 2009 and 6.6 percent over 2007. Wyoming is located in western New York State. Also in New York, but in the northern part of the state, St. Lawrence County has shown increases over 2007 and 2009 of 32.2 and 7.9 percent, respectively. In Vermont, Addison County production for 2011 grew 3.0 percent from 2009 and 3.8 percent from 2007. Franklin County, VT, reported increases for 2011 of 3.9 percent from 2009 and 1.0 from 2007. In contrast, two of the counties with the largest volume of producer receipts on the Order, Franklin and Lancaster, both in Pennsylvania, had declines in 2011, compared to 2009.❖

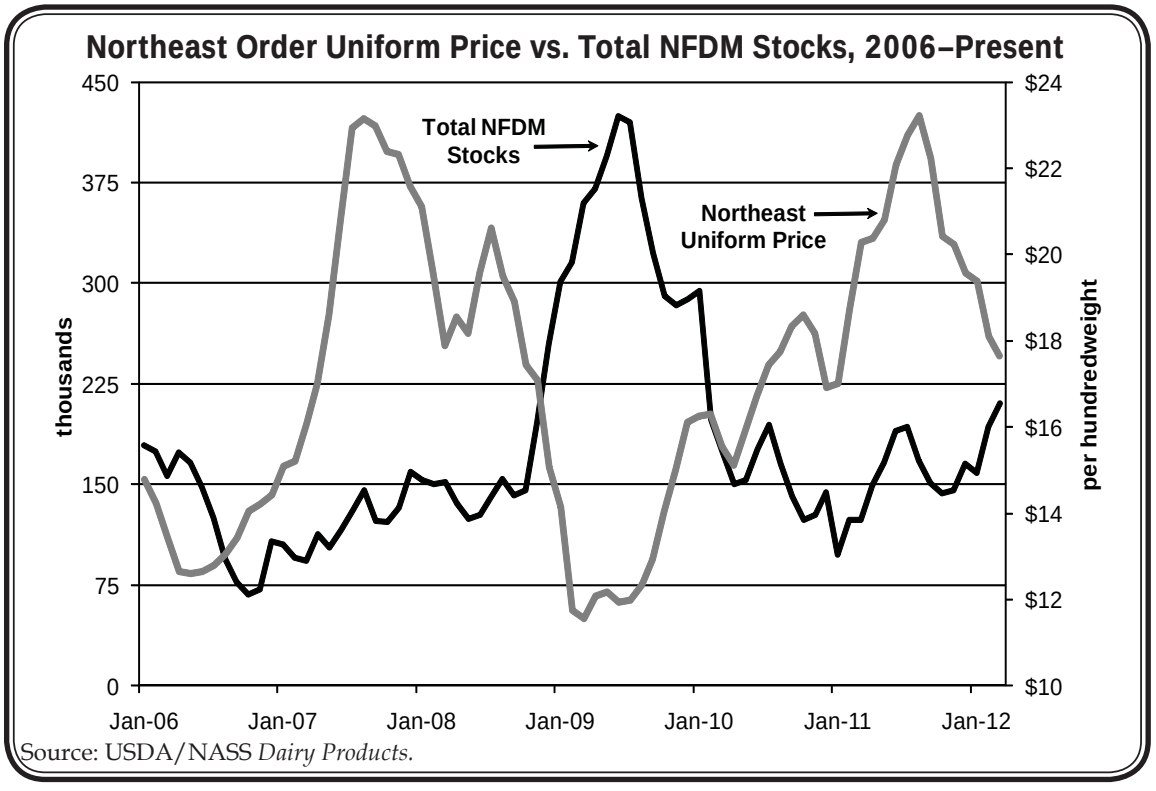
NFDM Stocks Evidence of Strong Supply

Strong milk production appears to be outpacing demand as manufacturer's stocks of nonfat dry milk (NFDM) have been growing since January 2012 after some decline during the fall of 2011. There have been no government owned NFDM stocks since September 2010. The out-of-balance supply largely is to blame for the decline in milk prices, particularly since the start of 2012. Mild winter conditions and production response to high prices and more comfortable margins in 2011 have resulted in very strong supply. As a storable commodity, the growth of NFDM stocks is often indicative, and possibly predictive, of softer milk prices.

The accompanying chart shows total NFDM stocks versus the Northeast Order uniform price at Boston, MA. The inverse relationship between NFDM stocks and the uniform price is evident. Beginning in September 2008, total NFDM stocks rose rather dramatically, coinciding with a rapid decline in the Northeast uniform price. This was followed by a decline in total stocks to about 98 million pounds as the price recovered. Most recently, the chart depicts a return of NFDM stocks with an increase in prices since August 2011.

NFDM Exports

During 2011, the United States exported 49 percent of the NFDM it produced, according to the U.S. Dairy Export Council. For the first quarter of 2012, the U.S. exported 44 percent of the NFDM it produced, compared to the 53 percent level it exported during the first quarter a year ago. The NFDM that is not finding a home overseas needs to find a domestic market, and based on the report, some of it may be ending up as stocks.❖



Source: USDA/NASS *Dairy Products.*

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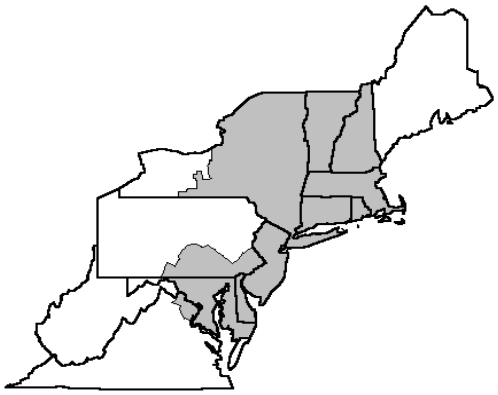
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	762,640,075	$13.95	106,388,290.46	
Butterfat	14,317,375	1.5564	22,283,562.45	
Less: Location Adjustment to Handlers			(2,577,308.82)	$126,094,544.11
Class II— Butterfat	29,508,965	1.5715	46,373,338.51	
Nonfat Solids	43,634,621	1.2322	53,766,579.96	100,139,918.47
Class III— Butterfat	20,599,447	1.5645	32,227,834.84	
Protein	14,823,598	2.6568	39,383,335.18	
Other Solids	27,876,875	0.4048	11,284,559.00	82,895,729.02
Class IV— Butterfat	13,703,836	1.5645	21,439,651.41	
Nonfat Solids	29,294,825	1.0728	31,427,488.26	52,867,139.67
Total Classified Value				**$361,997,331.27**
Add: Overage—All Classes				7,869.97
Inventory Reclassification—All Classes				77,270.81
Other Source Receipts	3,320,134 Pounds			61,345.58
Total Pool Value				**$362,143,817.63**
Less: Producer Component Valuations @ Class III Component Prices				(341,682,481.39)
Total PPD Value Before Adjustments				**$20,461,336.24**
Add: Location Adjustment to Producers				10,753,089.90
One-half Unobligated Balance—Producer Settlement Fund				859,963.68
Less: Producer Settlement Fund—Reserve				(906,310.26)
Total Pool Milk & PPD Value	2,105,951,325 Producer pounds			**$31,168,079.56**
Producer Price Differential		**$1.48**		
Statistical Uniform Price		**$17.20**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

May 2012 Federal Order No. 1

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May Pool Price Calculation

The May 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.79 per hundredweight (cwt) 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 $17.13 per cwt. The May statistical uniform price was 41 cents per cwt below the April price. The May producer price differential (PPD) at Suffolk County was $1.56 per cwt, an increase of 8 cents per cwt from last month.

During May, product prices for all commodities surveyed declined. This resulted in lower prices for all components except protein. For the first time since October 2010, the nonfat solids price was below $1.00 per pound. All class prices declined except Class I, announced in advance. On a per hundredweight basis, the Class II price dropped $1.01; the Class III price declined 49 cents; and the Class IV price went down $1.25.

The Class II volume was record-setting as the largest for this month and ever for the Order. The average producer other solids test tied with last month for highest ever.❖

Earlier Spring Flush

An earlier then typical spring flush has been part of the dairy discussion in 2012. With the May pool now complete, Northeast Order receipts appear to support that. The chart on page 3 shows January through May receipts on the Northeast Order for 2008 through 2012 (standardized for a 31-day month). An early spring flush is attributed to a mild winter with much warmer temperatures earlier in the season. As an example, mean temperatures for the month at Harrisburg, PA, were running 3.3, 4.3, and 8.7 degrees above normal for January, February, and March, respectively. April was about normal, followed by a warmer than normal May by 5.2 degrees. Temperature data were obtained from Weather.com.

To minimize the impact of production growth due to such factors as price response and feed quality, monthly pool receipts

(continued on page 3)

Pool Summary

- A total of 12,705 producers were pooled under the Order with an average daily delivery per producer of 5,440 pounds.
- Pooled milk receipts totaled 2.143 billion pounds, a decrease of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.5 percent of total milk receipts, an increase of 1.5 percentage points from April.
- The average butterfat test of producer receipts was 3.66 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.77 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.5	825,203,211
Class II	26.1	558,198,451
Class III	23.4	501,534,840
Class IV	12.0	257,692,268
Total Pooled Milk		2,142,628,770

Producer Component Prices

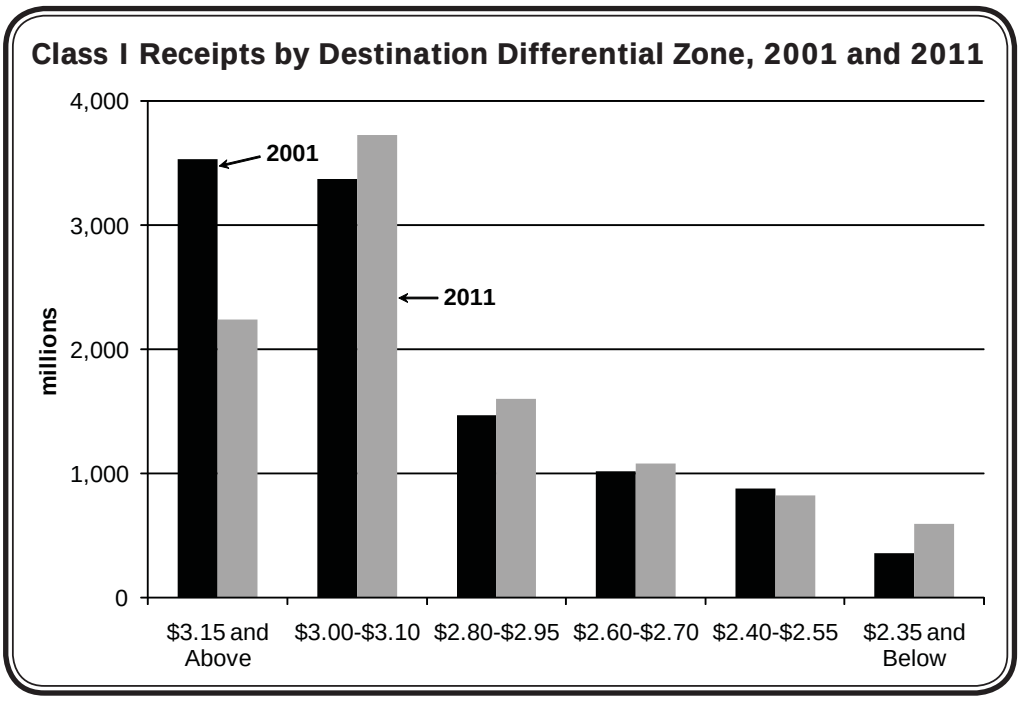
	2012	2011
	$/lb	
Protein Price	2.7344	2.3133
Butterfat Price	1.4462	2.2497
Other Solids Price	0.3500	0.3026

Class Price Factors

	2012	2011
	$/cwt	
Class I	19.10	23.00
Class II	15.19	20.63
Class III	15.23	16.52
Class IV	13.55	20.29

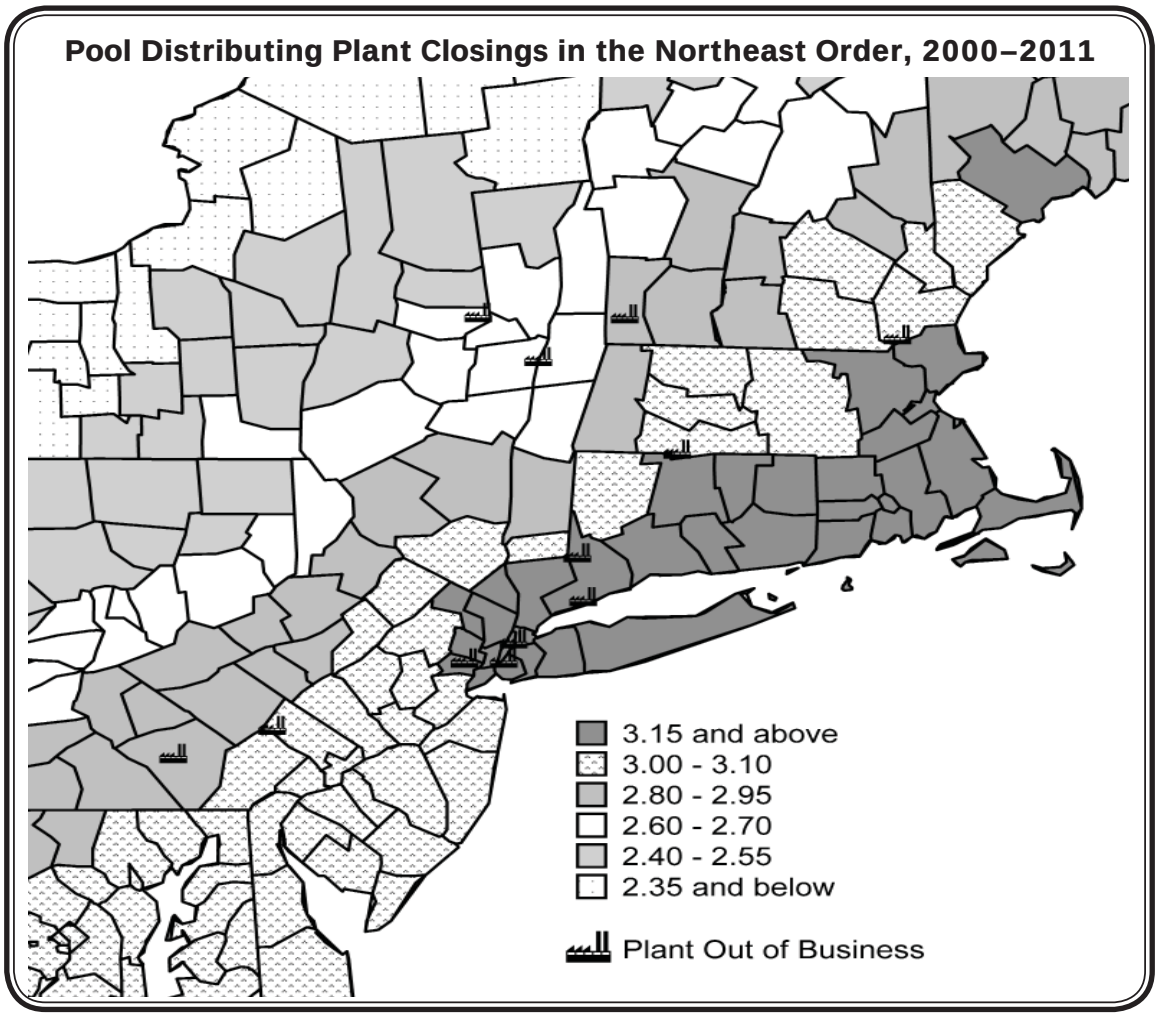
Class I Receipts in Highest Differential Zones Diminish

The proportion of annual Class I receipts that are processed in the Northeast order's $3.15 and higher differential zone has declined from 33.2 percent in 2001 to 22.3 percent in 2011. That represents a decline of 1.29 billion pounds. Total Class I receipts (in all zones) between 2001 and 2011 declined by 567 million pounds. This implies that the other lower zones in total received an additional 723 million pounds. The $3.00–$3.10 differential zone received roughly 348 million pounds. The $2.35 and below zone received 235 million pounds. Some of the increase in this zone was due to the pooling of milk by a pool distrbuting plant not historically associated with the Northeast Order. The $2.40–$2.55 zone declined by about 53 million pounds. The accompanying chart shows the change in receipts in six differential zones in 2001 and 2011.



During the past decade, a number of plants in the $3.15 and higher zone in the northeast have shut down (see map). There were additonal Class I plants in other lower zones that went out of business as well, but in most cases, the difference in receipts in those zones were more than compensated for, as evidenced by the additional volume in most of those zones.

A decreasing proportion of milk ending up in the higher zone negatively impacts the uniform price. While that may be true, it does not neccesarily imply a lower mailbox price to producers. Assuming the milk did not travel as far to the plant, overall hauling costs associated with that milk may be less by an amount that counterbalances the loss in producer price differential. ❖



Manufactured Dairy Products—2011 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2011 Summary*. The accompanying table highlights selected products' changes from 2010 and 2006, and a comparison of Northeast Order milk used in manufactured products.

Selected U.S. Manufactured Dairy Products, 2011

	U.S. Production of Manufactured Products		Northeast Order Milk Used to Manufacture#	
	2011 Percent Change from:			
	2006	2010	2006	2010
Cheese				
American^	9.1	(0.5)	28.4	6.4
Italian	14.8	3.3	2.7	(0.8)
Other*	8.0	1.8	38.9	2.4
Total Cheese (excludes cottage)	11.3	1.5	16.2	2.2
Butter	24.9	15.7	10.3	2.0
NFDM~	21.8	(3.1)	(1.6)	(14.9)
Yogurt	29.4	2.2	430.3	174.7

\# Based on total milk used in manufacture of products.
^ Includes Cheddar, Colby, Monterey, and Jack.
* Includes Swiss, Muenster, brick, Hispanic, cream/Neufchatel, and other varieties.
~ For human use; Northeast data includes some whole milk powder.

Cheese Production

Total U.S. cheese production (excluding cottage) grew less in 2011 than it did the previous year, but was up considerably from 5 years ago. American cheese production in 2011 decreased from the previous year, following an increase of 2.1 percent in 2010. Italian cheese grew in 2011, less than the 5.6 percent increase last year. Hispanic cheese rose 4.3 percent in 2011, following an increase of 4.1 percent in 2010, but compared to 2006, it was up 23.6 percent.

In the Northeast Order, milk used in 2011 cheese production (excluding cottage) increased but less than the 2010 growth of 6.2 percent. Milk used in making American rose but less than the 15.2 percent in 2010. Italian declined in 2011; it rose 1.3 percent in 2010.

Other Products: Yogurt Jumps in the Northeast

Nationally, butter production experienced double-digit growth in 2011; the previous year, it dropped 0.5 percent. Yogurt (plain and fruit flavored) only rose 2.2 percent; in 2010 it grew 8.9 percent. Nonfat dry milk (NFDM) dropped in 2011; the previous year it increased 3.4 percent.

In the Northeast Order, milk used in butter production rose considerably less than nationally; in 2010 it grew 9.6 percent. Milk used in making yogurt jumped 174.7 percent in 2011; the previous year increase was 40.9 percent. Compared to 2006, the growth is a whopping 430.3 percent with the production of Greek-style yogurt being the major force. Milk used in the production of dry milk products (mostly nonfat) dropped significantly; last year it rose slightly.

Leading States

Wisconsin led in 2011 cheese production, followed by California, Idaho, and New Mexico, which displaced New York. In 2010, New Mexico rose to fifth place, bumping Minnesota to sixth.

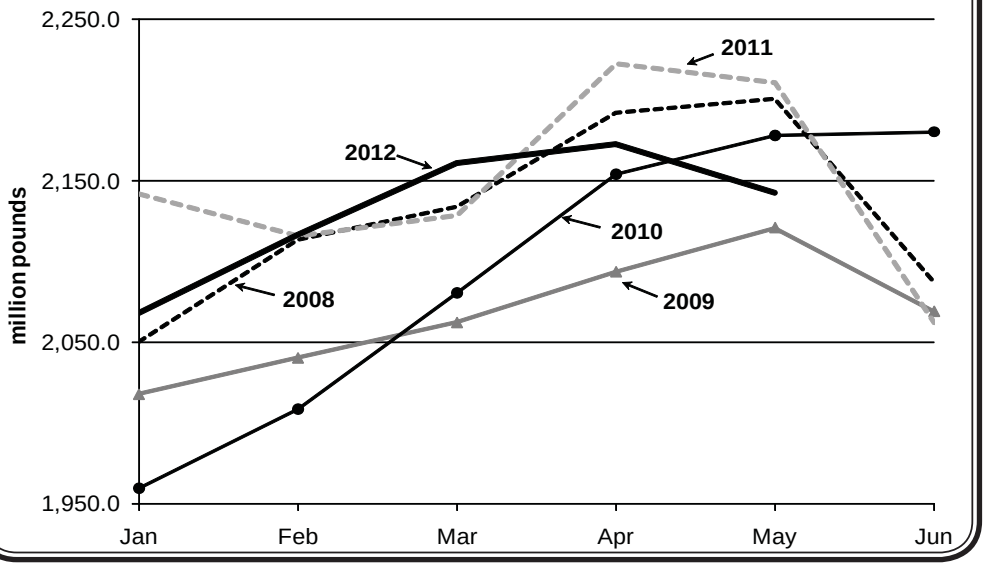
Percent of Total Milk Production

About 72.0 percent of U.S. total milk production was used in manufactured products (28.0 percent sold for fluid use). This is up slightly from 71.4 percent in 2010 and 69.7 percent in 2006.

In the Northeast, the total amount of milk utilized in manufactured products equaled 58.8 percent in 2011; this compares to percents of 57.7 and 54.5 in 2010 and 2006, respectively.❖

Earlier *(continued from page 1)*

were compared to the level of receipts in January of the same year. Typically, based on the results, the two months with the highest level of receipts over January are April and May. In 2012, the months with the highest levels are March and April. Even in 2011, where receipts declined in May, the two largest months were still April and May. In 2010, May and June had the highest levels, although there were sizeable increases in March and April as well.❖



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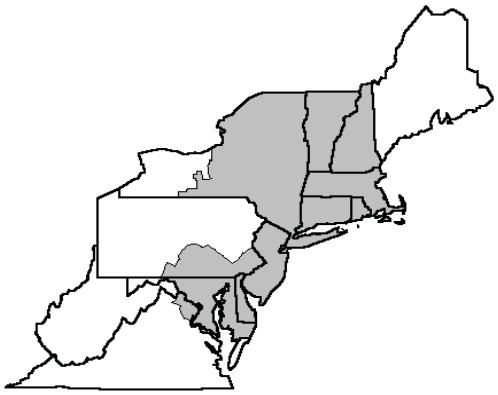
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	810,171,971	$14.01	113,505,093.14	
Butterfat	15,031,240	1.5958	23,986,852.79	
Less: Location Adjustment to Handlers			(2,749,893.48)	$134,742,052.46
Class II— Butterfat	31,163,833	1.4532	45,287,282.10	
Nonfat Solids	48,104,764	1.1633	55,960,271.99	101,247,554.09
Class III– Butterfat	21,121,126	1.4462	30,545,372.44	
Protein	15,104,122	2.7344	41,300,711.22	
Other Solids	28,771,783	0.3500	10,070,124.05	81,916,207.71
Class IV– Butterfat	11,192,655	1.4462	16,186,817.65	
Nonfat Solids	22,526,114	0.9774	22,017,023.80	38,203,841.45
Total Classified Value				**$356,109,655.71**
Add: Overage—All Classes				31,451.76
Inventory Reclassification—All Classes				(50,326.26)
Other Source Receipts	3,548,396 Pounds			80,532.24
Total Pool Value				**$356,171,313.45**
Less: Producer Component Valuations @ Class III Component Prices				(333,675,744.16)
Total PPD Value Before Adjustments				**$22,495,569.29**
Add: Location Adjustment to Producers				10,986,245.71
One-half Unobligated Balance—Producer Settlement Fund				895,704.62
Less: Producer Settlement Fund—Reserve				(897,155.92)
Total Pool Milk & PPD Value	2,146,177,166 Producer pounds			**$33,480,363.70**
Producer Price Differential		**$1.56**		
Statistical Uniform Price		**$16.79**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

June 2012 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 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.58 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 $16.76 per hundredweight. The June statistical uniform price was 21 cents per hundredweight below the May price. The June producer price differential (PPD) at Suffolk County was $0.95 per hundredweight, a decrease of 61 cents per hundredweight from last month.

During June, product prices for butter and cheese rose while nonfat dry milk and dry whey fell. This resulted in higher butterfat and protein prices, but lower nonfat and other solids prices. The only class price to increase was the Class III price.

The volume of producer milk receipts utilized in Class I continued the trend this year as being the smallest for the current month since the Order's inception. Conversely, the Class II volume was record-setting as the largest for the current month. So far in 2012, the average producer other solids test has set a new record for the current month.❖

Mideast Order Decision Announced

The USDA announced a Final Decision that amends the pool plant definition of the Mideast Milk Marketing Order to more adequately identify the plants that service the fluid needs of that order. Specifically, the amendment will regulate fluid milk plants physically located within the Mideast marketing area that have a Class I utilization of at least 30 percent and whose combined Class I route disposition and transfers into federal milk marketing areas is greater than 50 percent.

For background information regarding this issue, see the June and August, 2011, *Bulletins*. The final decision was published in the June 28, 2012, *Federal Register*. The amendment is subject to a producer referendum. It was originally proposed in a recommended decision issued on February 24, 2012. For additional information contact: Paul Huber; USDA/AMS/Dairy Programs; 1325 Industrial Parkway North, Brunswick, OH, 44212; telephone (330)225-4758; email: phuber@fmmaclev.com.❖

Pool Summary

- A total of 12,635 producers were pooled under the Order with an average daily delivery per producer of 5,342 pounds.
- Pooled milk receipts totaled 2.025 billion pounds, a decrease of 2.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.1 percent of total milk receipts, a decrease of 0.4 percentage points from May.
- The average butterfat test of producer receipts was 3.61 percent.
- The average true protein test of producer receipts was 2.99 percent.
- The average other solids test of producer receipts was 5.77 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.1	772,509,250
Class II	26.9	543,838,368
Class III	24.2	490,539,629
Class IV	10.8	218,013,528
Total Pooled Milk		2,024,900,775

Producer Component Prices

	2012	2011
	$/lb	
Protein Price	2.8952	2.9807
Butterfat Price	1.4866	2.3702
Other Solids Price	0.3113	0.3339

Class Price Factors

	2012	2011
	$/cwt	
Class I	18.49	23.57
Class II	14.32	21.37
Class III	15.63	19.11
Class IV	13.24	21.05

Price Projections Suggest June is Low Point, Now Moving Up

The Northeast Order uniform price at Boston, MA, declined each month during the first half of 2012, continuing a descent that began in September 2011. The uniform price has decreased about 15 percent, from a January price of $19.37 per hundredweight (cwt) to June's price of $16.58 per cwt. The uniform price has declined about 30 percent since its previous September 2011 peak of $23.22 per cwt.

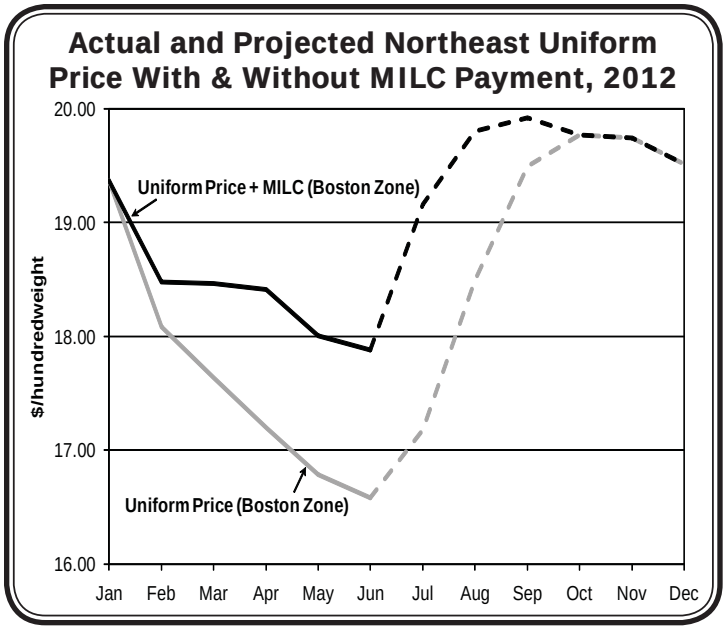
The lower prices triggered Milk Income Loss Contract (MILC) payments starting in February 2012. MILC payments have averaged $0.91 per cwt in the four months that they have been paid out. The combined uniform price and projected June MILC payment result in a price of $17.88 per cwt, which is 8 percent below the January 2012 price.

Current Projections Higher

On July 11, USDA's *World Agriculture Supply and Demand Estimates* reported the first upward revision of its projection for the annual average 2012 all milk price. The report projected between $17.05 to $17.35 per cwt. Looking ahead using Chicago Mercantile Exchange(CME) Class III and Class IV futures prices (as an indicator of where Agricultural Marketing Service *National Dairy Product Sales Report* prices that are used by federal orders may be headed), suggests that June was the bottom of the price cycle and prices beyond June will begin to trend higher. If current CME futures prices were to remain as is for the next four months (an increasing unlikelihood given dry weather conditions and growing concerns about crop conditions), CME futures as of July 12 imply a uniform price at Boston, MA, between $19.49 and $19.77 per cwt during the last four months of 2012. The predicted annual average 2012 uniform price at Boston now sits at $18.32 per cwt. The projected uniform price at Boston, plus projected MILC payments, result in a combined average price of $19.63 for the months of July through September. The MILC program is currently only authorized through September 2012. The chart shows actual and projected uniform prices with and without MILC payments added.

Weather Impacts

As weather impacted dairy prices this past winter in the form of a mild winter resulting in higher than typical or expected milk production, it is again coming to bear in the form of drought and heat this early summer. Extreme heat has been the story during the early summer in the U.S. Though not as extreme in the northeast, such conditions may curtail milk production to a greater extent than normal, at least nationally. Meanwhile, weather also may play a part in increasing already high feed costs. At the time of this writing, CME corn futures were as high as $7.71 a bushel and soybean futures as high as $16.25, largely in response to the drought and reports that the U.S. corn crop was rated in as low a condition as it has been since 1988. Very high levels of feed prices also can impact producers' production levels. Projected feed prices are pushing the MILC trigger price to as high as $23.26 in July, higher than it has ever been during the program. The trigger price is the level that the Class I price in Boston must drop below to result in a MILC program payout. If milk production were to slow or decline in future months, this may eventually lead to increased milk prices, although at this point, it is too early to predict with much certainty how such market dynamics will unfold.



Demand Signals Still Mixed

As is always the case, demand for dairy products plays a critical factor in milk pricing as well. Domestic and foreign demand for U.S. dairy products face challenges in the second half of 2012 that bear watching. The U.S. economy still appears sluggish and the increasing value of the U.S. dollar against the Euro and other currencies may negatively impact exports. The Consumer Confidence Index, which gauges the degree of optimism consumers are expressing in terms of their saving and spending decisions, fell in June after falling the previous month as well. The Restaurant Performance Index, however, was at 101.2 in May, the seventh consecutive month above 100. Values above 100 generally signify expansion in the industry. This index is important as many dairy products are purchased and consumed through restaurant business.

The U.S. dollar's value against other currencies is an important factor to U.S. dairy exports. Recently the dollar has increased in value versus many other currencies, which may hurt the export outlook. Through April, The U.S. is still exporting the same percent of its production on a total milk solids basis.❖

Steady Increase in DDP

Since the Northeast Order was formed in 2000, until today (a period of 12 and a half years), total milk pooled monthly on the Order has remained fairly consistent despite changes in pooling plants and producers (see Chart 1). Overall, monthly receipts have ranged from a low of 1.692 billion pounds in October 2006 to a high of 2.289 billion in March 2002. The average of 1.989 billion pounds was not adjusted for seasonality or depooling.

This stability has occurred despite a considerable drop in the number of producers on the Northeast Order. The offsetting factor has been an ever-increasing daily deliveries per producer (DDP). Over the period, the total number of producers has fallen at a fairly consistent rate of 0.22 percent per month, from over 18,000 producers down to a current 12,635. In contrast, DDP have risen at a rate of 0.27 percent (see Chart 2), growing from an average of 3,843 pounds to the current 5,342 pounds.

The trend is reflective of the consistent transition in the dairy industry from small to large operations. Even though there are nearly one-third less farms pooled on the Order than just 12 years ago, collectively these farms are now producing about the same total volume.

Within the Northeast, individual state's average DDP varies considerably (see Chart 3). Connecticut has consistently reported the highest DDP, but overall, accounts for less than 2 percent of the total volume pooled on the Order with just 123 farms. Massachusetts, which had about 10 more producers than Connecticut and represents less than 1 percent of total Order volume, has reported some of the lowest DDP over the years. Of the three largest contributing states, Vermont has reported the highest DDP, New York next, and Pennsylvania has ranked the lowest until this year. The only other Northeast state to report lower DDP is Rhode Island, which currently only has

Chart 1

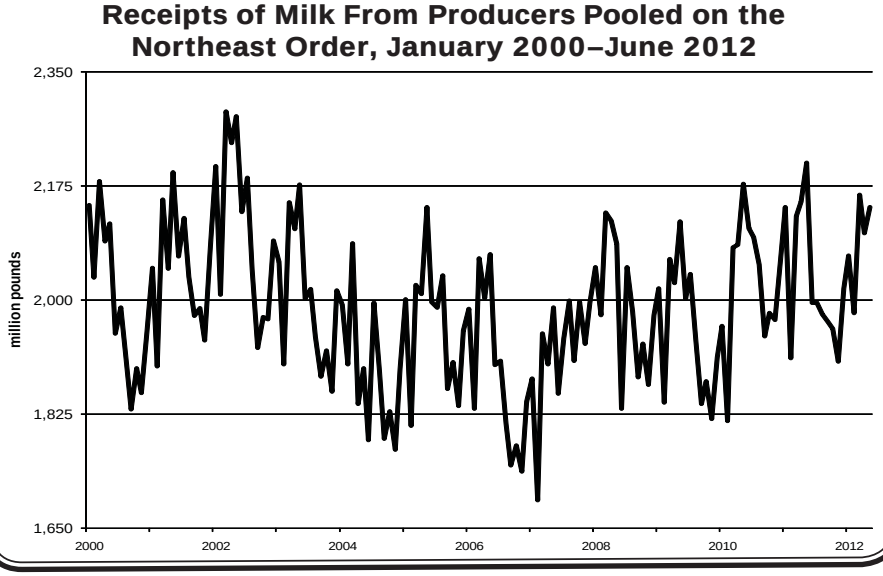


Chart 2

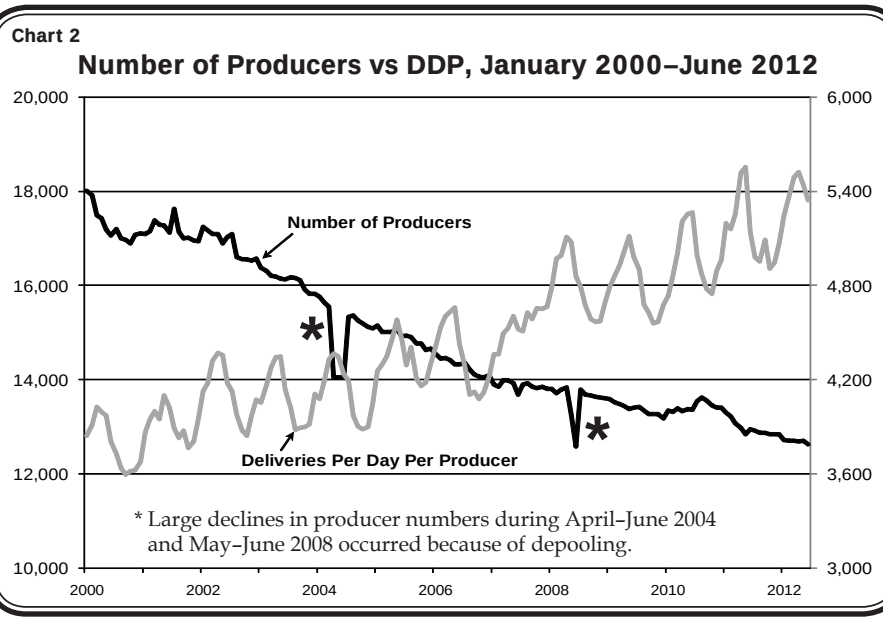
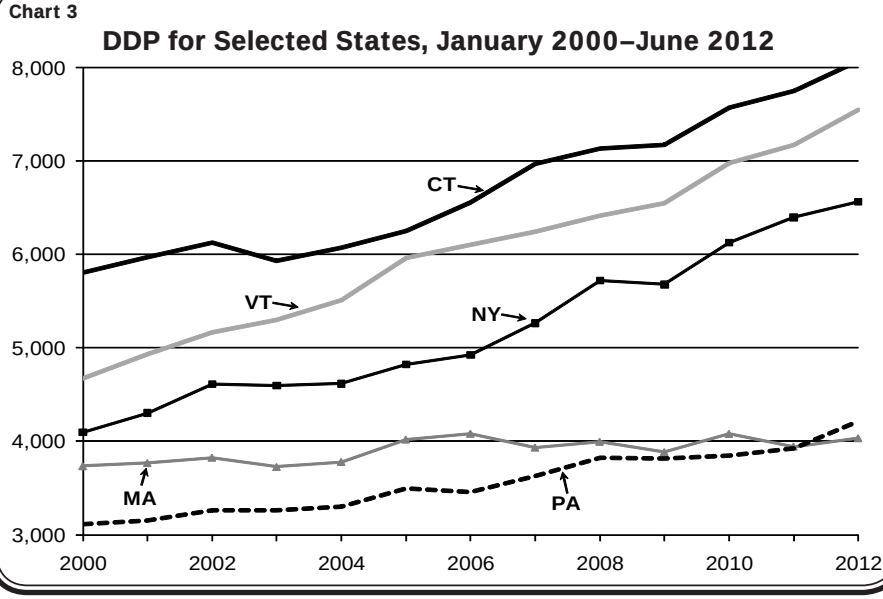


Chart 3



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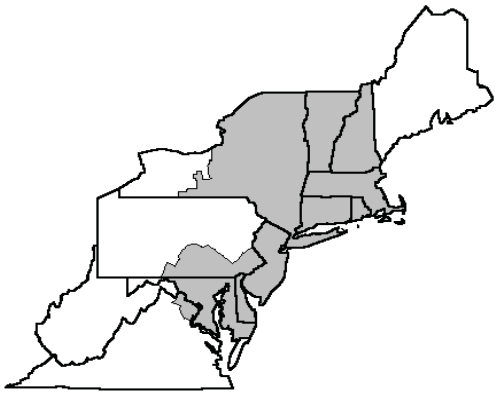
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	757,897,732	$13.86	105,044,625.66	
Butterfat	14,611,518	1.4604	21,338,660.89	
Less: Location Adjustment to Handlers			(2,587,538.31)	$123,795,748.30
Class II— Butterfat	29,777,101	1.4936	44,475,078.05	
Nonfat Solids	46,731,146	1.0467	48,913,490.53	93,388,568.58
Class III— Butterfat	20,564,154	1.4866	30,570,671.33	
Protein	14,604,055	2.8952	42,281,660.04	
Other Solids	28,136,447	0.3113	8,758,876.00	81,611,207.37
Class IV— Butterfat	8,184,462	1.4866	12,167,021.22	
Nonfat Solids	19,106,034	0.9252	17,676,902.64	29,843,923.86
Total Classified Value				**$328,639,448.11**
Add: Overage—All Classes				12,207.74
Inventory Reclassification—All Classes				211,541.74
Other Source Receipts	3,287,298 Pounds			50,568.07
Total Pool Value				**$328,913,765.66**
Less: Producer Component Valuations @ Class III Component Prices				(320,173,602.93)
Total PPD Value Before Adjustments				**$8,740,162.73**
Add: Location Adjustment to Producers				10,538,144.66
One-half Unobligated Balance—Producer Settlement Fund				889,249.63
Less: Producer Settlement Fund—Reserve				(899,770.35)
Total Pool Milk & PPD Value	2,028,188,073 Producer pounds			**$19,267,786.67**
Producer Price Differential		**$0.95**		
Statistical Uniform Price		**$16.58**		

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



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website address: www.fmmone.com

July Pool Price Calculation

The July 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.26 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 $17.27 per hundredweight. The July statistical uniform price was 68 cents per hundredweight above the June price. The July producer price differential (PPD) at Suffolk County was $0.58 per hundredweight, a decrease of 37 cents per hundredweight from last month.

During July, product prices for all commodities rose resulting in higher component and class prices. The protein price was $3.0430 per pound, the first time it has been over $3.00 since December 2011. For the third month in a row, the Class III price was higher than both the Class II and IV prices.

The volume of producer milk receipts utilized in Class I in July was the smallest since the Order's inception. Conversely, the Class II volume was the largest ever for the Order. The average producer other solids test continued to set a new record for the current month.❖

Negative PPDs at Outer Zones

The Producer Price Differential (PPD) for July 2012 equaled $0.58 per hundredweight at Suffolk County, Massachusetts (Boston), the basing point for the Northeast Order. Producers are paid for their milk based on the location where their milk is delivered during the month. Producers' milk delivered to plants in Suffolk County, or any other county that has a $3.25 differential, would receive the 58-cent PPD. Plants located in differential zones less than $3.25 have a lower PPD obligation to producers delivering to those plants. Differential values determine the relative PPD value and are meant to help cover the higher cost of hauling milk to urban locations that do not have a local milk supply. For the month of July, milk delivered to plants located in the outer zones ($2.60 or less) would receive a negative PPD.

Minimum or negative PPD values can arise during periods of significant price changes where the Class I price (announced in advance) does not reflect the full price increase that is reflected in the Class III price component values. With the value of the pool fixed (as determined by

(continued on page 3)

Pool Summary

- A total of 12,631 producers were pooled under the Order with an average daily delivery per producer of 5,204 pounds.
- Pooled milk receipts totaled 2.038 billion pounds, a decrease of 2.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 37.3 percent of total milk receipts, a decrease of 0.8 percentage points from June.
- The average butterfat test of producer receipts was 3.58 percent.
- The average true protein test of producer receipts was 2.95 percent.
- The average other solids test of producer receipts was 5.76 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	37.3	759,816,881
Class II	28.3	576,419,013
Class III	24.1	491,920,151
Class IV	10.3	209,660,536
Total Pooled Milk		2,037,816,581

Producer Component Prices

	2012	2011
	$/lb	
Protein Price	3.0430	3.8292
Butterfat Price	1.6556	2.2511
Other Solids Price	0.3123	0.3608

Class Price Factors

	2012	2011
	$/cwt	
Class I	18.76	24.28
Class II	14.51	21.29
Class III	16.68	21.39
Class IV	14.45	20.33

Market Situation

The northeast uniform price increased over the previous month for the first time since August 2011. Based on August 16, 2012, Chicago Mercantile Exchange (CME) futures prices for Class III and Class IV milk, it may signal the beginning of a price trend that could result in uniform prices above $21.00 per hundredweight (cwt) by October 2012 at the Boston, MA, zone. Actual and projected uniform prices compute to an annual average of $18.86 per cwt. Actual and projected prices for April through December 2012 are shown on the accompanying table. Dairy product prices on the CME are reacting to anticipated lower levels of milk production. The CME prices for Cheddar blocks closed at $1.90 per pound; butter closed at $1.79 per pound. Nonfat Dry Milk Grade A and Extra Grade closed at $1.60 and $1.575 per pound, respectively. Historically, dairy product prices used in federal order formulas track fairly closely to CME prices, though lagged. These levels of CME prices would imply sizeable increases over USDA's July average monthly dairy product prices used to calculate the July uniform price.

Feed Prices & MILC

A return to uniform prices above $20 will provide some relief to producers faced with historically high feed prices. With Class I prices well above the $16.94 per cwt threshold for Milk Income Loss Contract Program (MILC) payments, it is the feed adjustment in the calculation that has resulted in MILC payments for every month since February 2012. Payments are currently expected to peak at around $1.75 per cwt for July before declining through September. At this time, the status of the MILC program after September 2012 is unknown as farm bill negotiations continue. Including actual and projected uniform prices and MILC payments, producers may average a total payment of $19.62 per cwt for their milk for the year. The MILC payment by itself could average $1.14 per cwt for the year in months with a payment.

Drought, Heat Create Feed Price & Quantity Fears

Drought conditions and extreme heat across much of the U.S. may result in very high feed costs through the upcoming fall and winter. There also is concern whether producers will have access to the needed quantity of feed to maintain their current herd size. Decisions regarding herd sizes over the winter could impact total milk production and thus impact milk prices. Currently, the uniform price at the Boston, MA, zone projects to average $19.81 per cwt for 2013, based on CME futures prices. With the total impact of this year's drought still unknown, it is hard to predict how high feed prices may go or how much of a decline in milk production may result.

Higher Price Expected, But Temper Expectations

As signs point to increased milk prices, some analysts suggest that expectations as to how high they may go need to be tempered with the idea that higher prices for milk and dairy products may result in lost sales. If corn prices remain very high, Americans may be paying more for many items on their grocery list beyond just the dairy items. Domestic demand could suffer. Similarly, higher U.S. dairy product prices could limit exports as a price discrepancy between domestic and foreign prices could send foreign buyers looking for alternatives elsewhere.❖

Estimated Prices, 2012 (Actual in Bold)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Average
CBOT Futures-based Estimate (August 16 data)										
Corn (per bushel)	**$6.34**	**$6.33**	**$6.37**	*$7.36*	*$7.67*	*$7.97*	*$7.99*	*$8.02*	*$8.04*	*$7.07*
Soybean (per bushel)	**$13.70**	**$14.00**	**$13.90**	*$15.60*	*$16.80*	*$16.56*	*$16.41*	*$16.25*	*$16.20*	*$14.71*
Alfalfa hay (per ton)	**$207**	**$215**	**$201**	*$198*	*$200*	*$205*	*$205*	*$200*	*$200*	*$202*
Feed-adjusted MILC Trigger Price ($/cwt)	**$21.60**	**$21.80**	**$21.53**	*$22.64*	*$23.13*	*$23.49*	*$23.49*	*$23.39*	*$23.40*	*$22.32*
CME Futures-based Estimates (August 16 data)										
Class I ($/cwt) (Boston zone)	**18.91**	**19.10**	**18.49**	**18.76**	**19.80**	*20.91*	*22.87*	*23.56*	*23.36*	*$20.64*
Uniform Price ($/cwt) (Boston zone)	**17.20**	**16.79**	**16.58**	**17.26**	*18.36*	*20.07*	*21.55*	*21.83*	*21.62*	*$18.86*
PPD ($/cwt) (Boston zone)	**1.48**	**1.56**	**0.95**	**0.58**	*0.70*	*0.45*	*1.24*	*1.72*	*1.59*	*$1.38*
Value Added from Feed Adjustor* ($/cwt)	**$1.21**	**$1.22**	**$1.37**	*$1.75*	*$1.50*	*$0.88*	*N/A*	*N/A*	*N/A*	*$1.01*
Total MILC Payment ($/cwt)	**$1.21**	**$1.22**	**$1.37**	*$1.75*	*$1.50*	*$0.88*	*N/A*	*N/A*	*N/A*	*$1.01*
Uniform Price + MILC ($/cwt) Boston zone)	**$18.41**	**$18.00**	**$17.95**	*$19.01*	*$19.86*	*$20.94*	*$21.55*	*$21.83*	*$21.62*	*$19.62*
Class II ($/cwt)	**16.20**	**15.19**	**14.32**	**14.51**	*16.39*	*18.38*	*19.55*	*19.50*	*19.50*	*$17.06*
Class III ($/cwt)	**15.72**	**15.23**	**15.63**	**16.68**	*17.66*	*19.62*	*20.31*	*20.11*	*20.03*	*$17.49*
Class IV ($/cwt)	**14.80**	**13.55**	**13.24**	**14.45**	*15.69*	*17.68*	*18.85*	*18.80*	*18.80*	*$16.14*

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

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

N/A = not applicable—continuation of program uncertain.

Contribution to Producer Price by Components

The uniform price varies each month based on the respective average component tests and prices of each component. Looking at some examples will give a better understanding of how these factors impact a producer's milk check. The accompanying table shows the contribution by component for the month of July for 2001, 2010, and 2012 using a hypothetical farmer producing 100,000 pounds of milk at the pool average component tests during that month using the base zone (Suffolk County, MA) Producer Price Differential (PPD). The examples do not take into account premiums, hauling charges, or any other producer payments or deductions. In addition, uniform prices received by producers are affected by the location where the producer's milk is received. PPD's vary due to location and typically decrease the farther away the milk is received from the basing point.

The years 2001 and 2010 were chosen because their average blend prices were similar to 2012. As the examples show, nearly equal blend prices can be generated with greatly varying PPDs. In 2010, the PPD (sixth highest ever on the Order) accounted for over 21 percent of the overall price. In 2012, the PPD accounted for less than 3 percent of the blend price.

The value butterfat and protein contribute depend on the combination of each component's price and test. As the examples show, butterfat typically accounted for a greater proportion of the price, but when the protein price is significantly higher than the butterfat price, as in 2012, it contributes a much higher proportion. In the examples, other solids appear to be fairly consistent in their contribution, but since the Order's inception, their have been eleven instances when other solids had a negative effect on the overall price.❖

Contribution to Total Gross Payment*

	Test percent	Price per pound	Gross dollars	Contribution percent
		July 2001		
Butterfat	3.54	2.1883	$7,746.58	**45.2**
True Protein	2.92	2.3175	$6,767.10	**39.5**
Other Solids	5.69	0.1510	$859.19	**5.0**
PPD		1.75	$1,750.00	**10.2**
Total gross payment			$17,122.87	
Gross price per cwt			**$17.12**	
		July 2010		
Butterfat	3.54	1.8964	$6,713.26	**38.6**
True Protein	2.93	2.0515	$6,010.90	**34.6**
Other Solids	5.70	0.1700	$969.00	**5.6**
PPD		3.69	$3,690.00	**21.2**
Total gross payment			$17,383.15	
Gross price per cwt			**$17.38**	
		July 2012		
Butterfat	3.58	1.6556	$5,927.05	**26.0**
True Protein	2.95	3.0430	$8,976.85	**39.3**
Other Solids	5.76	0.3123	$1,798.85	**7.9**
PPD		0.58	$580.00	**2.5**
Total gross payment			$17,282.75	
Gross price per cwt			**$17.28**	

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

Negative PPDs *(continued from page 1)*

the class prices) the majority of the pool value is paid out to producers in their components with little or, in some cases, no value left to be paid out in the PPD. Based on Chicago Mercantile Exchange futures prices, as an estimate for actual product prices, PPDs for the next couple of months are expected to remain low enough to result in negative PPDs in at least some differential zones.❖

Pool Summary for All Federal Orders, January–June, 2010–2011

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2011	2012	Change	2011	2012	2011	2012
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**12,539,489,621**	**12,479,291,644**	**(1.0)**	**2.82**	**1.71**	**19.88**	**17.61**
5	Appalachian	3,024,939,440	3,043,460,999	0.1	N/A	N/A	20.95	18.62
6	Florida	1,500,465,568	1,467,498,026	(2.7)	N/A	N/A	22.95	20.88
7	Southeast	3,693,812,966	3,631,879,780	(2.2)	N/A	N/A	20.80	18.87
30	Upper Midwest	16,469,916,168	17,040,277,110	2.9	0.46	0.24	17.52	16.14
32	Central	6,836,658,903	8,037,090,729	16.9	1.23	0.38	18.29	16.28
33	Mideast	7,697,872,957	9,101,211,938	17.6	1.64	0.64	18.70	16.55
124	Pacific Northwest	3,990,857,576	3,912,053,266	(2.5)	1.50	0.23	18.56	16.13
126	Southwest	5,663,948,548	6,079,515,574	6.7	2.32	1.38	19.39	17.29
131	Arizona	2,358,332,793	2,486,611,454	4.9	N/A	N/A	19.10	16.32
	All Market Total/Average	63,776,294,540	67,278,890,520	4.9	1.66	0.76	19.61	17.47

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

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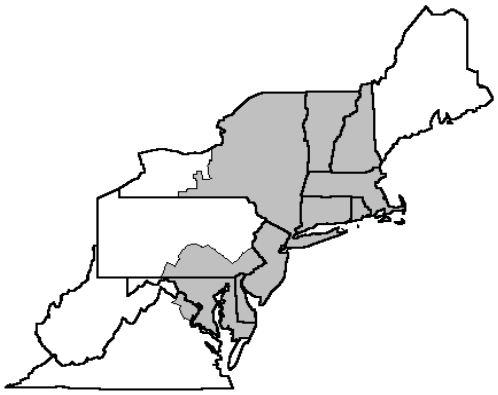
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	745,238,424	$14.03	104,556,950.89	
Butterfat	14,578,457	1.4919	21,749,600.00	
Less: Location Adjustment to Handlers			(2,574,998.70)	$123,731,552.20
Class II— Butterfat	29,393,115	1.6626	48,868,993.00	
Nonfat Solids	49,389,584	1.0011	49,443,912.56	98,312,905.56
Class III– Butterfat	20,182,025	1.6556	33,413,360.56	
Protein	14,482,112	3.0430	44,069,066.86	
Other Solids	28,153,024	0.3123	8,792,189.39	86,274,616.81
Class IV– Butterfat	8,782,164	1.6556	14,539,750.71	
Nonfat Solids	18,174,195	0.9965	18,110,585.30	32,650,336.01
Total Classified Value				**$340,969,410.58**
Add: Overage—All Classes				24,498.76
Inventory Reclassification—All Classes				388,701.99
Other Source Receipts	3,067,120 Pounds			29,795.76
Total Pool Value				**$341,412,407.09**
Less: Producer Component Valuations @ Class III Component Prices				(340,068,704.25)
Total PPD Value Before Adjustments				**$1,343,702.84**
Add: Location Adjustment to Producers				10,616,794.21
One-half Unobligated Balance—Producer Settlement Fund				827,187.49
Less: Producer Settlement Fund—Reserve				(950,559.14)
Total Pool Milk & PPD Value	2,040,883,701 Producer pounds			**$11,837,125.40**
Producer Price Differential		**$0.58**		
Statistical Uniform Price		**$17.26**		

* 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

August 2012 Federal Order No. 1

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August Pool Price Calculation

The August 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $18.40 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $18.57 per hundredweight. The August statistical uniform price was $1.14 per hundredweight above the July price. The August producer price differential (PPD) at Suffolk County was $0.67 per hundredweight, an increase of 9 cents per hundredweight from last month.

During August, product prices for all commodities rose resulting in higher component prices. All class prices rose at least $1.00 per hundredweight from July. The Class II price was the lowest of the class prices for the first time since March 2011 (see related article on page 3). The spread between the Class I and III prices was about the same as last month and resulted in little change in the PPD.

The volume of producer milk receipts utilized in Class I in August was the smallest for that month since the Order's inception. The Class II volume set a new record as the largest ever for the Order and the first time the total utilized in Class II was over 600 million pounds. The average producer other solids test continued to set a new record for the current month.❖

Negative PPDs at Outer Zones

As predicted last month, producers' milk delivered to plants located in zones further away from the Boston will receive a negative Producer Price Differential (PPD) for August 2012. Since the PPD equaled $0.67 per hundredweight at Suffolk County, Massachusetts (Boston), the basing point for the Northeast Order, milk delivered to plants located in the outer zones ($2.50 or less) would receive a negative PPD.

As discussed in the July *Bulletin*, producers are paid for their milk based on the location where their milk is delivered during the month. Producers' milk delivered to plants in Suffolk County, or any other county that has a $3.25 differential, would receive the 67-cent PPD. Plants located in differential zones less than $3.25 have a lower PPD

(continued on page 2)

Pool Summary

- A total of 12,619 producers were pooled under the Order with an average daily delivery per producer of 5,225 pounds.
- Pooled milk receipts totaled 2.044 billion pounds, an increase of 0.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.6 percent of total milk receipts, an increase of 2.3 percentage points from July.
- The average butterfat test of producer receipts was 3.61 percent.
- The average true protein test of producer receipts was 2.98 percent.
- The average other solids test of producer receipts was 5.76 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.6	810,430,058
Class II	29.8	609,579,127
Class III	24.1	492,104,118
Class IV	6.5	131,963,721
Total Pooled Milk		2,044,077,024

Producer Component Prices

	2012	2011
	$/lb	
Protein Price	3.1211	3.8305
Butterfat Price	1.8339	2.2985
Other Solids Price	0.3462	0.3811

Class Price Factors

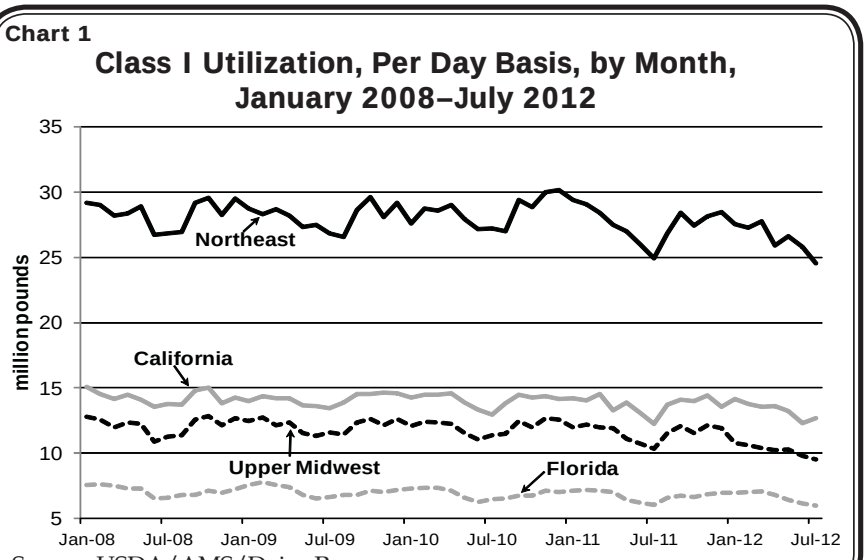
	2012	2011
	$/cwt	
Class I	19.80	24.68
Class II	15.64	21.55
Class III	17.73	21.67
Class IV	15.76	20.14

Class I Utilization

It's a well known issue in the dairy industry that fluid milk sales are down. Industry analysts will theorize many reasons, including competing beverage choices, and new dairy product offerings.

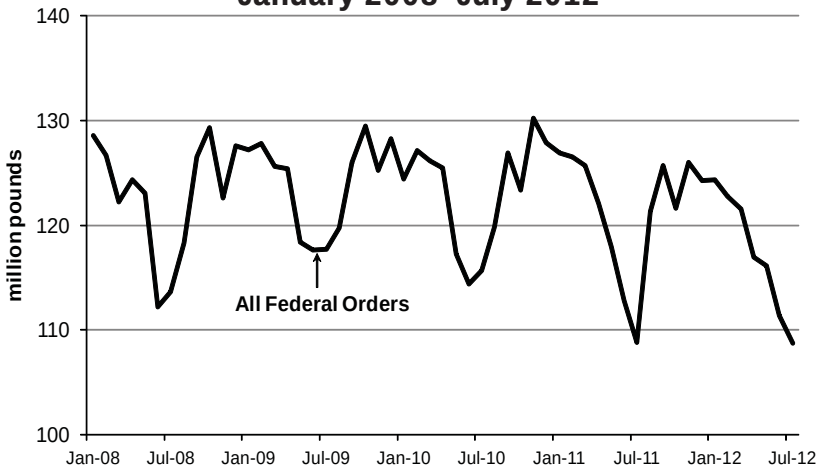
Chart 1 highlights Class I utilization, on a per day basis, by month, from January 2008 to August 2012, for the Northeast Order, the Upper Midwest Order, the Florida Order and the California State Order. The Upper Midwest and Florida are shown as representative of orders with low and high Class I utilization percentages. The California State Order also is shown for comparison. Chart 2 highlights Class I utilization for all Federal Orders combined, on a per day basis, by month, over the same time period. This comparison shows that, at least for the time period mentioned, the Northeast Order is not alone in facing declining utilization. Class I utilization of all ten Federal Orders combined has declined as well. These series show that the low points in the cycle have become lower, and the most recent high point did not return to the same level as the previous 3 cycles. The trend for all Federal Orders combined was more negative than for the Northeast Order by itself. The Upper Midwest Order declined at about the same pace as the Northeast order. The Florida Order and California State Order also saw a decline over this period of time, but somewhat less than the Northeast Order. The conclusion here is that the declining Class I utilization is not just an issue faced by Northeast Order producers.

Chart 1



Source: USDA/AMS/Dairy Programs.

Chart 2



Source: USDA/AMS/Dairy Programs.

The discussion of utilization is important to Federal Order producers in that the value shared by producers in pooling milk is derived from Class I. Declining Class I utilization can result in reduced producer price differentials. Although lower Class I utilization is not the mechanism that causes occurrences of negative producer price differentials, lower Class I utilization can make them more likely to occur.❖

Negative PPDs *(continued from page 1)*

obligation to producers delivering to those plants. Differential values determine the relative PPD value and are meant to help cover the higher cost of hauling milk to urban locations that do not have a local milk supply.

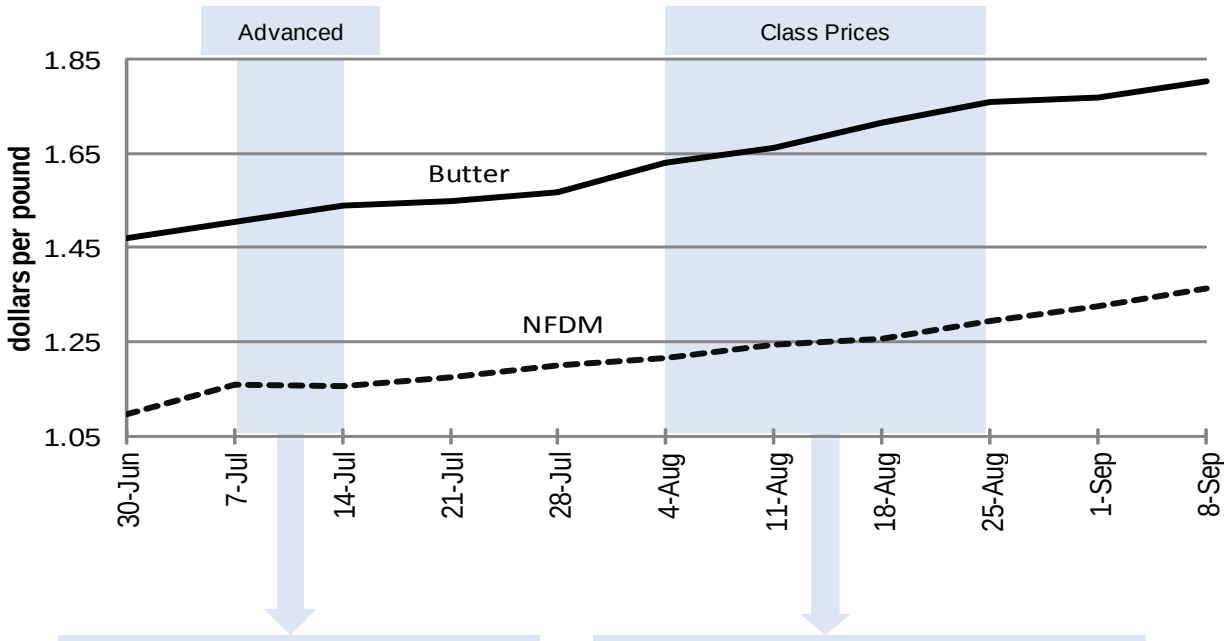
Minimum or negative PPD values can arise during periods of significant price changes where the Class I price (announced in advance) does not reflect the full price increase that is reflected in the Class III price component values. With the value of the pool fixed (as determined by the class prices) the majority of the pool value is paid out to producers in their components with little or, in some cases, no value left to be paid out in the PPD. Based on Chicago Mercantile Exchange futures prices, as an estimate for actual product prices, this scenario is possible for the next 2 months in at least some more distant differential zones.

In addition, with Class I volumes declining (see article above), there is an additional downward effect on the overall value of the pool. This tightens the spread between the pool generated value and the component value paid out to producers, lowering the PPD.❖

Class II Price Lowest

The August Class II price was the lowest of the class prices. This situation occurs due to the Class II price formula's use of market prices from the 'previous month', along with prices from the 'current month' as reported in the *National Dairy Products Sales Report* (NDPSR). The table below shows the prices reported on the NDPSR; the averages used in calculating the Class II price are in bold. The chart shows the nonfat dry milk and butter prices from June 30 through September 8. The shaded areas highlight the periods used to calculate the Class II price.

***National Dairy Products Sales Report* Prices, Highlighted Periods Represent Data Used in August Class II Price Formula**



2-Week Prices (Advanced)

Week Ending	Price/Pound NDFM
Jul 7	1.1608
Jul 14	1.1575
Weighted Average	**1.1588**

4-Week Prices (Class Prices)

Week Ending	Price/Pound NFDM	Butter
Aug 4	1.2145	1.6311
Aug 11	1.2439	1.6632
Aug 18	1.2573	1.7154
Aug 25	1.2955	1.7576
Weighted Average	1.2543	**1.6859**

Class II Price Formula

Class II Price = (.965 x Advanced Class II Skim Price) + (3.5 x Class II Butterfat Prices)

The Advanced Class II Skim portion of the price is derived from the weighted average of nonfat dry milk prices reported on the NDPSR on *July* 7 and 14. The weighted average price of nonfat dry milk for these 2 weeks was $1.1588 per pound. The Class II butterfat portion of the price is derived from the weighted average of butter prices reported on the NDPSR on *August* 4, 11, 18, and 25. The butterfat portion of the Class II formula for *August* reflects *August* market prices, whereas the advanced skim portion of the formula reflects market prices that existed during the first half of *July*. The price for nonfat dry milk for the month of August averaged $1.2543 per pound. Due to the pricing formula, the August Class II price did not reflect the higher August nonfat dry milk prices.

Like the Class II price, the Class III and IV prices are calculated using the current month's butterfat, but they also use the current month's other solids and nonfat prices derived from the reported NDPSR commodity prices. All component prices (butterfat, nonfat solids, other solids, and protein) used in the August Class III and IV price formulas were derived from the NDPSR prices from August 4, 11, 18, and 25.❖

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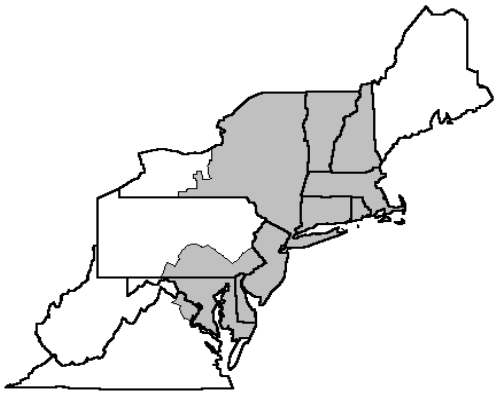
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	794,903,556	$14.46	114,943,054.20	
Butterfat	15,526,502	1.6711	25,946,337.49	
Less: Location Adjustment to Handlers			(2,731,522.82)	$138,157,868.84
Class II— Butterfat	30,538,248	1.8409	56,217,860.80	
Nonfat Solids	52,491,150	1.0589	55,582,878.77	111,800,739.57
Class III– Butterfat	20,989,012	1.8339	38,491,749.11	
Protein	14,607,163	3.1211	45,590,416.43	
Other Solids	28,149,091	0.3462	9,745,215.29	93,827,380.83
Class IV– Butterfat	6,656,352	1.8339	12,207,083.95	
Nonfat Solids	11,387,508	1.0756	12,248,403.62	24,455,487.57
Total Classified Value				**$368,241,476.81**
Add: Overage—All Classes				35,744.94
Inventory Reclassification—All Classes				538,247.13
Other Source Receipts	4,575,908 Pounds			64,676.86
Total Pool Value				**$368,880,145.74**
Less: Producer Component Valuations @ Class III Component Prices				(365,852,140.78)
Total PPD Value Before Adjustments				**$3,028,004.96**
Add: Location Adjustment to Producers				10,737,445.68
One-half Unobligated Balance—Producer Settlement Fund				909,698.07
Less: Producer Settlement Fund—Reserve				(949,174.09)
Total Pool Milk & PPD Value	2,048,652,932 Producer pounds			**$13,725,974.62**
Producer Price Differential		**$0.67**		
Statistical Uniform Price		**$18.40**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

September 2012 Federal Order No. 1

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website address: www.fmmone.com

September Pool Price Calculation

The September 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $19.45 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $20.07 per hundredweight. The September statistical uniform price was $1.05 per hundredweight above the August price. The September producer price differential (PPD) at Suffolk County was $0.45 per hundredweight, a decrease of 22 cents per hundredweight from last month.

During September, product prices for all commodities rose resulting in higher component prices. All class prices rose at least $1.00 per hundredweight from August. The Class II price was the lowest of the class prices for the second month in a row. The spread between the Class I and III prices decreased slightly, lowering the PPD. Producers shipping to handlers located in the $2.70 and farther out zones received a negative value for the PPD portion of their payment. As reflected in the higher overall SUP, components contributed a greater proportion to producers' payments.

The volume of producer milk receipts utilized in Class I in September was the smallest for that month since the Order's inception and the first time the Class I volume was below 800 million pounds for September. The Class II volume set a new record for the month of September. The average producer other solids test continued to set a new record for the current month and the average producer butterfat test tied with record set September 2008.❖

Fall Months' Shipping Percentage Increase

Each year the percentage of milk that pool supply plants and cooperative Section 1000.9 (c) handlers (any cooperative qualified by USDA with their own member-producers pooling producers and regulated as a handler on the Order) must deliver to Class I pool distributing plants during the months of September, October, and November increases. This provision of the Order, Section 1001.7(c)(2), commonly referred to as the "shipping percentage", stipulates that during the months of September

(continued on page 3)

Pool Summary

- A total of 12,602 producers were pooled under the Order with an average daily delivery per producer of 5,166 pounds.
- Pooled milk receipts totaled 1.953 billion pounds, a decrease of 1.3 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 1.1 percentage points from August.
- The average butterfat test of producer receipts was 3.69 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.7	795,047,960
Class II	29.3	572,666,123
Class III	23.6	461,271,890
Class IV	6.4	124,049,047
Total Pooled Milk		1,953,035,020

Producer Component Prices

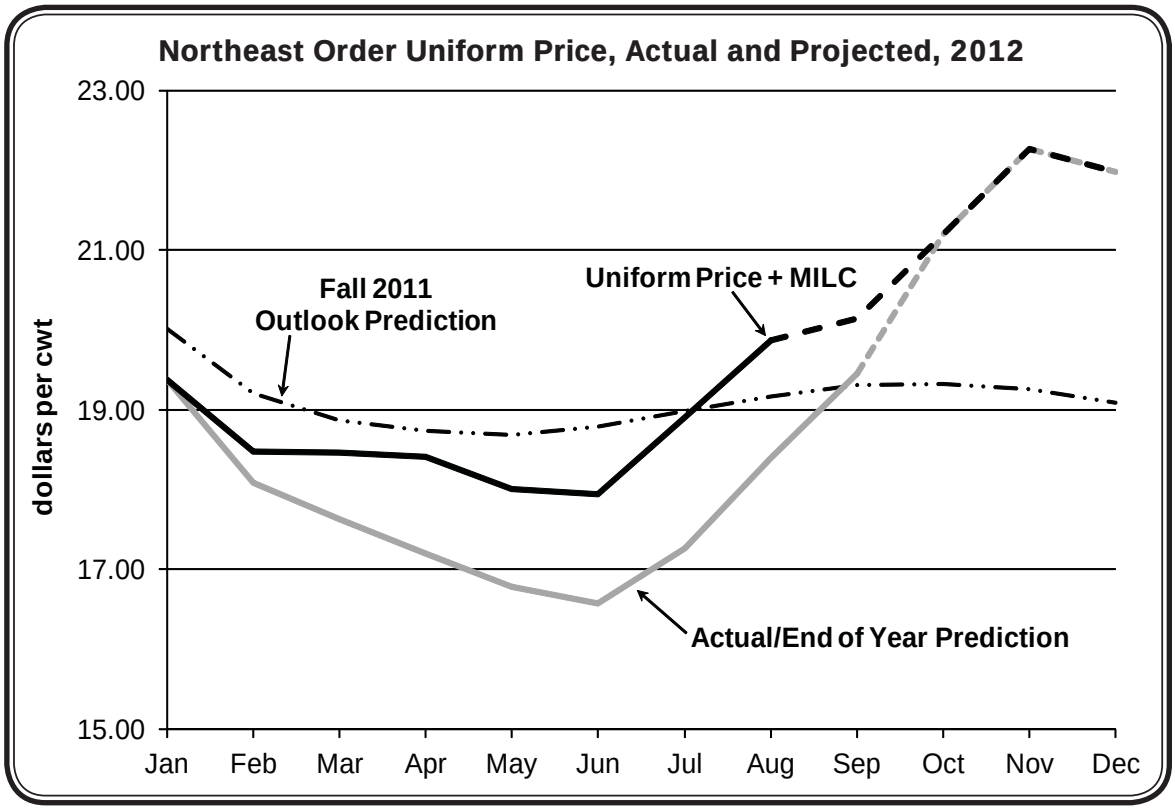
	2012	2011
	$/lb	
Protein Price	3.2521	3.0282
Butterfat Price	2.0047	2.2005
Other Solids Price	0.3971	0.4053

Class Price Factors

	2012	2011
	$/cwt	
Class I	20.84	25.03
Class II	17.04	20.55
Class III	19.00	19.07
Class IV	17.41	19.53

Market Situation

The September uniform price at Boston, MA, was $19.45 per hundredweight (cwt), the highest uniform price for 2012 so far. From January through June 2012, the uniform price declined $2.79 per cwt. Since June, the price has recovered $2.87 per cwt. Presently, the price is expected to rise further to a peak in November of a little over $22.00 per cwt, and finish the year with a price just under $22.00 per cwt in December, based on data from October 12 Chicago Mercantile Exchange (CME) futures prices.



Actual vs. Estimated Prices

A consensus price projection made by attendees of November 2011's Northeast Regional Dairy Outlook Conference resulted in a predicted annual average uniform price of $19.12 per cwt for 2012. Including the October 12-based projections for the remainder of 2012, the annual average uniform price for 2012 is currently averaging $18.85 per cwt. Though a fairly accurate prediction on average, the projection made last year did not account for the low level the price would reach in the months of April through July, due to unexpected higher milk volumes during the first six months of the year. Also, this prediction did not foresee the high level to which the price would rise by year's end, attributed to tightening milk supplies as a result of drought conditions. The consensus price projected was fairly flat (though somewhat due to the averaging of individual projections submitted).

Milk production was much stronger than expected early in the year, largely attributed to the mild winter experienced by much of the nation. As of November 2011, USDA's Economic Research Service expected production to increase by 1.3 percent in 2012. Production was up by 3.1 percent through the first half of 2012.

Severe drought conditions coupled with poor margins from high feed costs relative to the milk price have resulted in a rapidly rising milk price. By September, National Agricultural Statistics Service production estimates for corn and soybeans were down 27.5 and 16 percent, respectively, from estimates made in May. Drought conditions represent the second of two unforeseeable weather related shocks to the industry this year.

Taking into account Milk Income Loss Contract (MILC) payments, the 2012 average minimum total price received by producers is roughly $19.59 per cwt at Boston, MA.

End of Year Projections

As mentioned, the uniform price for the fourth quarter of 2012 is expected to rise to a relatively high level. The drought's impact on feed quality and availability, and the resulting impact on milk production, will be watched carefully as the winter progresses. Looking ahead, CME futures-based projections result in a uniform price at Boston over $20.00 per cwt for the first six months of 2013 and for 2013 as a whole. Currently, the cost of feed in 2013, as measured by the formula used in the MILC program, projects to be almost identical to the average level of 2012. A higher milk price with similar feed costs should result in somewhat better margins for producers next year.

At $18.85 per cwt for the year, 2012's average uniform price would be the third highest for the Northeast Order ever. Including a current CME futures-based estimate of $20.18 per cwt for 2013, the average uniform price at Boston for the most recent seven years including 2007 through estimated 2013 would be $18.30 per cwt, with five of seven years over $18.00 per cwt. The average uniform price at Boston for the first seven years of the Order is $14.29 per cwt with no years averaging over $17.00 per cwt.❖

Farm Bill Expires

Many programs and policies of the USDA were authorized under the Food, Conservation and Energy Act of 2008 ("2008 Farm Bill") through September 30, 2012. Beginning October 1, 2012, the authority or funding provided under the 2008 Farm Bill for USDA to operate a number of these programs including farm commodity and price support, conservation, research, nutrition, food safety, and agricultural trade expired.

One such program is the Dairy Forward Pricing Program. Due to the expiration of the program's authorization, proprietary handlers establishing new forward contracts on or after October 1, 2012, will not be exempt from paying minimum federal order prices. Previously established contracts that extend through September 30, 2015, are not impacted.

Another program is the Milk Income Loss Contract (MILC) program. Payments under the program for Fiscal Year 2012 (October 1, 2011 to September 30, 2012) have been reported and paid through August. Payments authorized, but not yet received, will still be paid out since they were budgeted under the 2008 Farm Bill. September's payment has not yet been finalized, but is estimated at about $0.69 per hundredweight. For the months of February through August, payments have averaged $1.16 per hundredweight.

Under the 2008 Farm Bill, the Dairy Product Price Support Program is authorized through December 31, 2012. This program supports the price of milk at a minimal level of about $10.00 per hundredweight.

Federal milk marketing orders are authorized under a separate permanent law so the operations of the federal milk orders are not directly affected, at this time, by the expiration of authorizations contained in the 2008 Farm Bill.❖

Shipping *(continued from page 1)*

through November, shipments and transfers by pool supply plants and cooperative handlers must equal not less than 20 percent of the total quantity of producer milk pooled by such handlers. This includes milk received at the plant or diverted from it; the Order defines specific qualifications.

The rationale behind this provision of the Order is that it helps assure that an adequate supply of milk will be available for Class I distributing plants at a time of the year when milk production typically is slowing, and Class I demand increases as schools reopen. For all other months of the year, the shipping percentage to distributing plants is 10 percent.

In years past, milk supplies would occasionally be so tight during the fall months that pool handlers would request that the market administrator conduct an investigation to determine if it was necessary to increase the shipping percentage even higher than 20 percent to meet the needs of the Class I market. The last time that an increase occurred was for the months of September through November 2001. The percentage was raised to 25 percent to bring forth the additional supply needed, but not cause uneconomical movements of milk.

The most recent consideration to increase the shipping percentage was September 2011, but after reviewing comments and data submitted by milk handlers regarding volumes received and utilization, it was determined that no increase was justified. In the past 18 months, milk utilized for Class I purposes has been declining at a more accelerated rate of decline than the historical average. Even with varying production volumes over the years, including declines in pool volumes, the needs of the Class I handlers have been met without any administrative intervention.❖

Pool Summary for All Federal Orders, January–September, 2011–2012

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2011	2012	Change	2011	2012	2011	2012
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**18,479,671,915**	**18,514,220,269**	**(0.2)**	**2.56**	**1.33**	**20.83**	**17.86**
5	Appalachian	4,558,781,176	4,437,344,529	(3.0)	N/A	N/A	21.88	18.82
6	Florida	2,188,779,744	2,151,617,668	(2.1)	N/A	N/A	23.94	21.04
7	Southeast	5,343,683,266	5,181,374,897	(3.4)	N/A	N/A	21.90	19.19
30	Upper Midwest	24,849,303,828	23,609,437,191	(5.3)	0.43	0.14	18.71	16.67
32	Central	10,535,421,272	10,659,283,909	0.8	1.03	0.11	19.31	16.64
33	Mideast	11,817,467,956	12,837,753,038	8.2	1.45	0.32	19.73	16.85
124	Pacific Northwest	6,080,625,854	5,191,346,970	(14.9)	1.14	(0.09)	19.42	16.45
126	Southwest	8,489,385,697	7,735,928,218	(9.2)	2.12	1.11	20.40	17.65
131	Arizona	3,405,377,815	3,479,284,383	1.8	N/A	N/A	19.91	16.76
	All Market Total/Average	95,748,498,523	93,797,591,072	(2.4)	1.45	0.49	20.60	17.79

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

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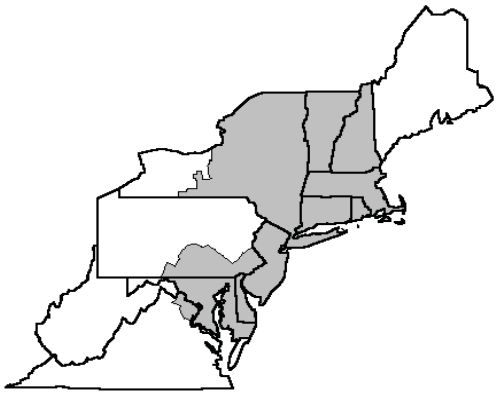
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	780,077,192	$14.82	115,607,439.85	
Butterfat	14,970,768	1.8686	27,974,377.08	
Less: Location Adjustment to Handlers			(2,675,949.27)	$140,905,867.70
Class II— Butterfat	28,253,185	2.0117	56,836,932.28	
Nonfat Solids	49,689,389	1.1511	57,197,455.67	114,034,387.95
Class III– Butterfat	20,507,942	2.0047	41,112,271.36	
Protein	14,040,844	3.2521	45,662,228.76	
Other Solids	26,224,134	0.3971	10,413,603.64	97,188,103.76
Class IV– Butterfat	8,407,034	2.0047	16,853,581.03	
Nonfat Solids	10,566,111	1.1969	12,646,578.26	29,500,159.29
Total Classified Value				**$381,628,518.70**
Add: Overage—All Classes				24,640.79
Inventory Reclassification—All Classes				327,219.65
Other Source Receipts	3,375,800 Pounds			23,278.86
Total Pool Value				**$382,003,658.00**
Less: Producer Component Valuations @ Class III Component Prices				(383,265,866.52)
Total PPD Value Before Adjustments				**($1,262,208.52)**
Add: Location Adjustment to Producers				10,194,253.85
One-half Unobligated Balance—Producer Settlement Fund				676,062.95
Less: Producer Settlement Fund—Reserve				(804,259.55)
Total Pool Milk & PPD Value	1,956,410,820 Producer pounds			**$8,803,848.73**
Producer Price Differential		**$0.45**		
Statistical Uniform Price		**$19.45**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2012 Federal Order No. 1

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

October Pool Price Calculation

The October 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $20.78 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $21.98 per hundredweight. The October statistical uniform price was $1.33 per hundredweight above the September price. The October producer price differential (PPD) at Suffolk County was negative $0.24 per hundredweight, a decrease of 69 cents per hundredweight from last month.

Price Increases

During October, product prices for all commodities rose resulting in higher component prices. Cheese jumped over 18 cents per pound from September, resulting in a $2.02 increase in the Class III price. All other class prices rose at least $1.00 per hundredweight from September. The Class II price was the lowest of the class prices for the third month in a row. The tightening spread between the Class I and III prices resulted in a negative value for the PPD. As reflected in the higher overall SUP, components contributed a greater proportion to producers' payments.

Class Volume Changes

For the first time since the Order's inception, the volume of producer milk receipts for the month of October was over 2 billion pounds. This was only the second time in the past 13 years that the October per day volume grew from the previous month. The Class II volume set a new record for the month of October, but was the smallest year-over-year increase in the past 6 months. The slower growth in Class II is most likely due to the decrease in milk used in yogurt, which dropped from September; in 2011, the volume rose in October over September, but then declined in November. Class III volume was the highest in 5 years; this helped raise the blend price since the Class III price was the second-highest class price at $21.02 per hundredweight.

The Class I volume for October was higher than the same month of the previous year for the first time in 20 months. This unexpected increase may have been the result of pre-storm purchases as Superstorm Sandy hit the east coast the last three days of the month. Even though

(continued on page 3)

Pool Summary

- A total of 12,562 producers were pooled under the Order with an average daily delivery per producer of 5,206 pounds.
- Pooled milk receipts totaled 2.027 billion pounds, an decrease of 0.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.8 percent of total milk receipts, an increase of 2.1 percentage points from September.
- The average butterfat test of producer receipts was 3.80 percent.
- The average true protein test of producer receipts was 3.14 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.8	867,747,054
Class II	26.5	537,481,591
Class III	23.9	484,462,368
Class IV	6.8	137,570,311
Total Pooled Milk		2,027,261,324

Producer Component Prices

	2012	2011
	$/lb	
Protein Price	3.7278	2.9211
Butterfat Price	2.1136	1.9592
Other Solids Price	0.4340	0.4286

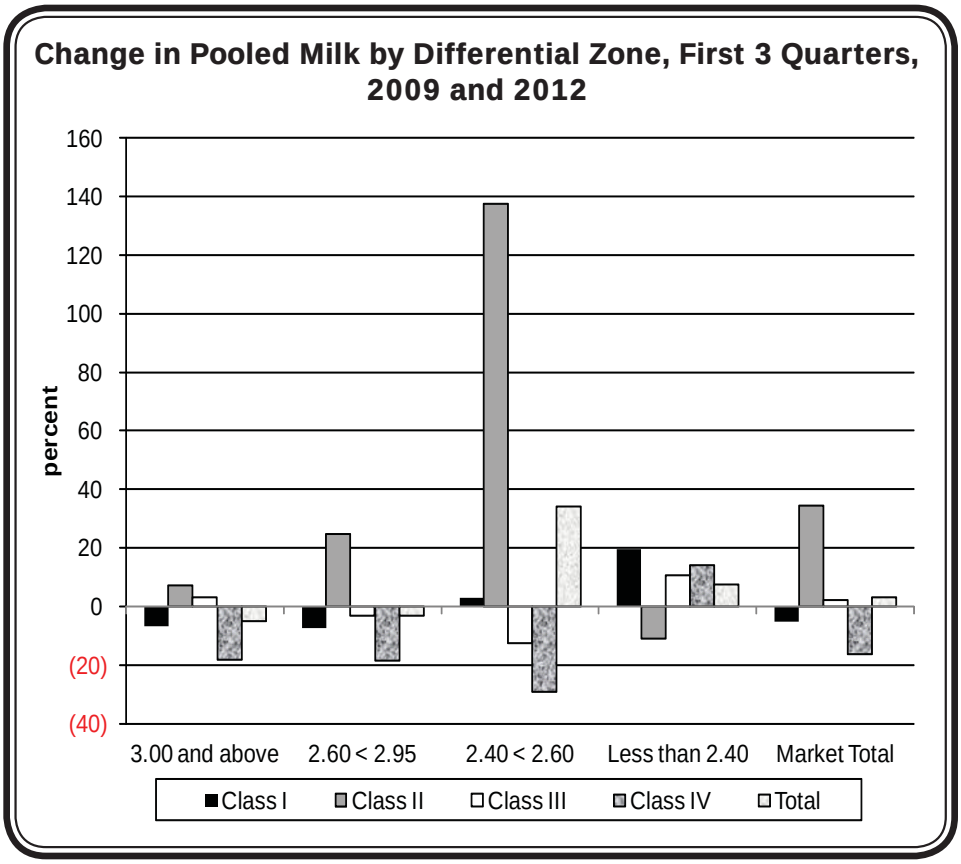
Class Price Factors

	2012	2011
	$/cwt	
Class I	22.13	22.81
Class II	18.44	19.41
Class III	21.02	18.03
Class IV	18.54	18.41

Milk Production and Pooled Milk

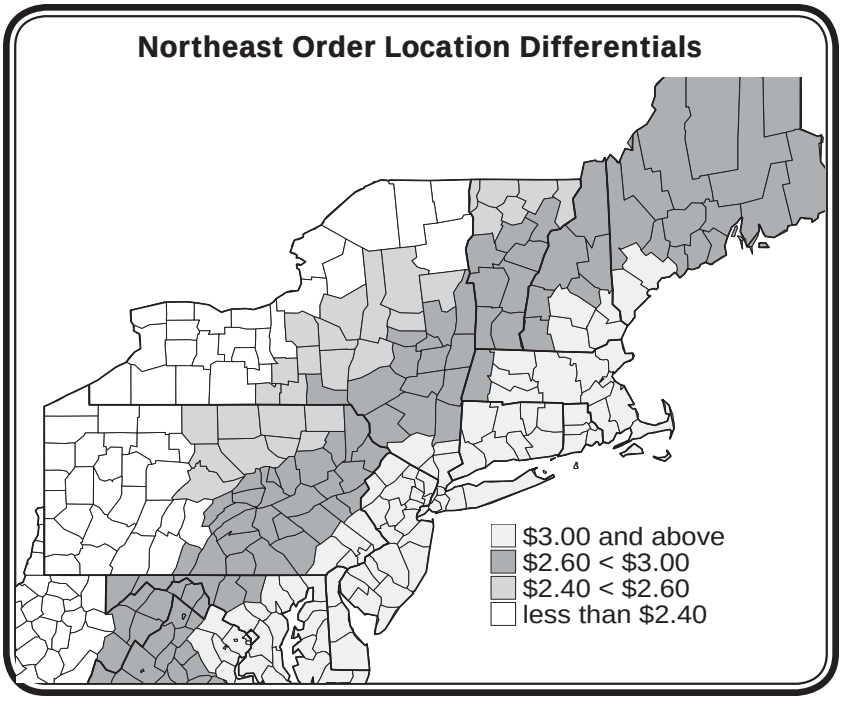
For the January through September 2012 period, the total volume of pooled milk receipts on the Northeast Order was essentially flat, declining by 0.2 percent from the same period in 2011, when adjusting for leap year. Pooled milk receipts represent the volume of milk that was reported by handlers regulated under the Northeast Order. This milk met the pooling requirements under the Order and was used in the calculation of the uniform price. It does not include all milk produced in the states usually associated with the Northeast Order; some milk is pooled on neighboring federal or state orders.

During the same period of time, milk production in the states typically associated with the Northeast Order increased 0.6 percent, adjusting for leap year. This implies that although more milk was produced in the region, much of that additional milk found a destination somewhere other than the Northeast Order pool. Some of New York's milk is pooled on the Western New York State Order. Additional milk produced in western New York or western Pennsylvania could have been pooled on the Mideast Milk Marketing Order as well, rather than on the Northeast Order.



Pool Milk Destinations

The accompanying chart depicts the Northeast Order pool receipts from producers by class and by plant location as determined by differential zone, including a total for all classes. These data are for the first three quarters of 2009 and 2012. When compared to 3 years ago, of the milk that was pooled on the Order, an increasing percent is finding a home in outer, or lower, differential zones. Milk received in the $2.40 to under $2.60 and the under $2.40 and below differential zones increased by 34.3 and 7.6 percent, respectively. Declining volumes received were the case for all zones above $2.55.



The yogurt story also shows up in these data as the very tall bar for Class II in the $2.40 to under $2.60 zone largely is due to increases in yogurt production in plants falling in that zone. The large increase in Class II volume for that zone also resulted in the total volume for that zone growing 34.3 percent. Much smaller, but of note, was an increase in Class I received in this same zone.

Though the bar showing Class II growth in the $2.40 to under $2.60 zone seems to dominate the picture, it should be pointed out that strong Class II growth (25 percent) also occurred in the $2.60 to under $3.00 zone. Class II increased in the $3.00 and above zones as well.

Also somewhat hidden in the shadow of the Class II increase for the $2.40 to under

(continued on page 3)

Negative PPD, But Higher SUP

The total value of the federal order pool is determined by the respective class prices and the volume of milk utilized in each class. For the month of October, the "classified value" equaled $434,174,126.42. The total value of all producer components (butterfat, protein, and other solids) equaled $450,368,254.97, or $16.2 million more than the pool classified value (see page 4 for pool computation). Since the payout to producers must equal the value of the milk utilized in the pool, a negative producer price differential (PPD) has to occur. This scenario occurs due to the Class I and Class II skim milk prices being set in advance, based on wholesale market prices that are less than the more current and higher wholesale prices used in the calculation of Class III and IV prices and the component prices paid to producers.

Any class price higher than the Class III price contributes to the pool of money normally returned to producers in a positive PPD. With Class II and IV prices significantly below (about $2.50) the Class III price, and the sizeable volumes (33.3 percent) in the combined lower-priced classes, the classified value of the pool was diminished and producers received all of the pool value in their component payments.

We had predicted the possibility of a negative PPD in at least some of the zones for upcoming months in the August *Bulletin*. The last time the PPD was negative at all zones was in December 2008. The statistical uniform price (SUP) at that time was $15.06 per hundredweight. The SUP for October 2012 was $20.78 per hundredweight, signifying that a negative PPD does not necessarily reflect a lower price for producers.

Regardless of the level of the PPD, producers who are not members of cooperatives receive an amount represented by the SUP. Of course, each producer's SUP will vary depending on their individual component tests, location of the plant to which their milk was shipped, and other hauling, premiums, and negotiated payments. Cooperative members may receive a different price depending on their cooperative policy.❖

Milk Production *(continued from page 2)*

$2.60 zone was an increase in Class I received in that zone. In fact, looking at the lowest zone depicted on the chart, under $2.40, there is also an increase in total receipts, led by Class I, which rose almost 20 percent. Class III and Class IV receipts also grew in the lowest zone by 10.7 and 14.4 percent, respectively. Class II volume declined in this zone. The conclusion would be that there is growth, for both Class I and manufacturing purposes, in plants in more distant (less metropolitan) areas of the Northeast Order marketing area.❖

2013 Payment Dates to Producers

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

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

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

Required Producer Payments Under the Northeast Order

Month Milk Produced	Partial Payment Due	
	Day	Date
January	Monday	1/28/13
February	Tuesday	2/26/13
March	Tuesday	3/26/13
April	Friday	4/26/13
May	Tuesday	5/28/13
June	Wednesday	6/26/13
July	Friday	7/26/13
August	Monday	8/26/13
September	Thursday	9/26/13
October	Monday	10/28/13
November	Tuesday	11/26/13
December	Thursday	12/26/13

October Pool *(continued from page 1)*

there were numerous power outages and damage, there was not a significant loss of milk reported by processing plants. Lack of power continued into the first couple of weeks of November and may affect bottling operations, schools, and retail outlets, but it is too soon to estimate the effect.

The average producer butterfat test set a new record for the current month and the average producer other solids test tied with the record set October 2010.❖

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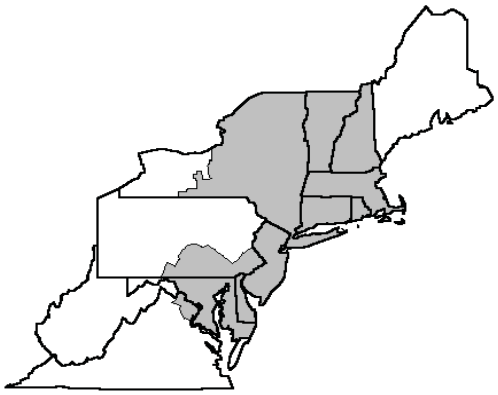
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	851,157,445	$15.56	132,440,098.44	
Butterfat	16,589,609	2.0333	33,731,651.98	
Less: Location Adjustment to Handlers			(2,968,878.26)	$163,202,872.10
Class II— Butterfat	30,104,170	2.1206	63,838,902.92	
Nonfat Solids	46,801,479	1.2689	59,386,396.72	123,225,299.64
Class III– Butterfat	21,839,762	2.1136	46,160,520.97	
Protein	15,126,781	3.7278	56,389,614.23	
Other Solids	27,583,002	0.4340	11,971,022.87	114,521,158.07
Class IV– Butterfat	8,497,342	2.1136	17,959,982.01	
Nonfat Solids	11,899,606	1.2828	15,264,814.60	33,224,796.61
Total Classified Value			***Total value of milk in the pool*** →	**$434,174,126.42**
Add: Overage—All Classes				163,498.63
Inventory Reclassification—All Classes				639,141.53
Other Source Receipts	291,629 Pounds			3,492.80
Total Pool Value			**Total value of**	**$434,980,259.38**
Less: Producer Component Valuations @ Class III Component Prices			***producer components*** →	(450,368,254.97)
Total PPD Value Before Adjustments				**($15,387,995.59)**
Add: Location Adjustment to Producers				10,564,099.38
One-half Unobligated Balance—Producer Settlement Fund				785,979.67
Less: Producer Settlement Fund—Reserve				(828,210.57)
Total Pool Milk & PPD Value	2,027,552,953 Producer pounds			**($4,866,127.11)**
Producer Price Differential		**($0.24)**		
Statistical Uniform Price		**$20.78**		

Negative value from which PPD per hundredweight is calculated

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

November 2012 Federal Order No. 1

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e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA*: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com;
website address: www.fmmone.com

November Pool Price Calculation

The November 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $21.35 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $22.75 per hundredweight. The November statistical uniform price was 57 cents per hundredweight above the October price. The November producer price differential (PPD) at Suffolk County was $0.52 per hundredweight, an increase of 76 cents per hundredweight from last month.

Price Changes

During November, product prices for butter dropped nearly 20 cents per pound and cheese prices declined 14 cents for blocks and 21 cents for barrels; nonfat dry milk and whey rose. As a result, component prices for butterfat and protein dropped while nonfat and other solids increased. All class prices rose except the Class III price that is largely derived from the cheese price. The Class II price remained the lowest of the class prices. With the Class III price decreasing, the spread between the Class I and III prices increased, resulting in a positive value for the PPD. Similar to October, components contributed a greater proportion to producers' payments.

Class I Sales

The Class I volume for November was higher than the same month of the previous year for only the second time since February 2011. It was expected that sales would be lost due to power outages resulting from Superstorm Sandy, which hit the east coast late October. Even though lack of power continued into the first few weeks of November in some areas, changes in buying behavior and localized school closings did not appear to adversely affect fluid sales for the entire Order.

Record Tests

The average producer butterfat test set a new record for the current month. The average producer protein test for November set a record as the highest protein test ever for the Order since its inception. November tends to be the highest month for protein tests; combined with the relatively high protein price, this component has been the major contributor to producers' pay for the past 6 months.❖

Pool Summary

- A total of 12,533 producers were pooled under the Order with an average daily delivery per producer of 5,311 pounds.
- Pooled milk receipts totaled 1.997 billion pounds, an increase of 1.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.9 percent of total milk receipts, an increase of 0.1 percentage points from October.
- The average butterfat test of producer receipts was 3.85 percent.
- The average true protein test of producer receipts was 3.17 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.9	855,726,520
Class II	24.7	492,492,713
Class III	23.3	466,060,652
Class IV	9.1	182,465,925
Total Pooled Milk		1,996,745,810

Producer Component Prices

	2012	2011
	$/lb	
Protein Price	3.7172	3.2341
Butterfat Price	2.0218	1.9508
Other Solids Price	0.4624	0.4521

Class Price Factors

	2012	2011
	$/cwt	
Class I	23.95	21.70
Class II	18.81	19.26
Class III	20.83	19.07
Class IV	18.66	17.87

Regional Dairy Outlook Conference Held

The 2012 Northeast Regional Dairy Outlook Conference was held November 28 at the National Agricultural Statistics Service (NASS) New York field 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.

Northeast Milk Marketing Area
Statistical Uniform Prices, 2011–2013*

Month	2011 Actual	2012 Actual and **Estimated**	2013 **Estimated**
January	17.01	19.37	**20.43**
February	18.75	18.09	**20.42**
March	20.28	17.64	**20.47**
April	20.38	17.20	**20.50**
May	20.79	16.79	**20.62**
June	22.09	16.58	**20.67**
July	22.76	17.26	**20.66**
August	23.22	18.40	**20.49**
September	22.23	19.45	**20.38**
October	20.42	20.78	**20.18**
November	20.23	**21.78**	**20.11**
December	19.57	**21.49**	**19.81**
Average	20.64	**18.74**	**20.40**

* Estimated prices for November and December 2012 and all of 2013. All estimates are subject to change. Prices are reported at Suffolk County, MA.

Crop Situation

The crop situation varied across the region and not all yield data has been collected yet, but overall it was a much improved picture compared to last year after the devastating effects of Tropical Storms Irene and Lee. The drought that affected much of the nation during 2012 did not impact Northeast crops as severely. In some areas, good weather conditions contributed to an abundant hay crop, while other areas harvested less than in the past 2 years. Corn conditions were also mixed—too dry, too wet—to guarantee an increased yield. Again though, compared to the losses caused by the storm damage in 2011, farmers should be in a better situation with overall quantity and quality. Nationally, feed prices are expected to stay higher and continue to affect farmers' bottom line.

Production Estimates

Due to the continued challenges in paying for feed and other inputs such as fuel and fertilizer, the Northeast as a whole is estimating an increase of 0.8 percent in milk production for 2013. This is slightly up from the projected increase of 0.6 percent for 2012. Most of this increase is expected in New York, with some in New England; the other Northeast states predict declines. Nationally, the Economic Research Service (ERS) predicts milk production to finish up 1.5 percent in 2012 and only increase a slight 0.3 percent in 2013.

Once again, the forecasted growth in milk production is predicted to be the result of increased milk per cow as cow numbers are projected to decline 0.5 percent in the Northeast and 1.1 percent nationally for 2013. For 2012, Northeast cow numbers are expected to finish 0.6 percent below 2011 while U.S. totals are estimated up 0.3 percent. Milk per cow is projected to increase 1.6 percent in the Northeast and 1.4 percent nationally for 2013. For 2012, the Northeast milk per cow is expected to finish up 0.9 percent, while the U.S. number is estimated 1.1 percent above 2011.

In New York State, the volume of milk, cream, and skim used in making yogurt nearly doubled from 2009 to 2010 and from 2010 to 2011; this year is expected to finish up by about 25 percent. Most of the growth has been in the Greek-style yogurt and more plants are expected to be up and running in 2013. Industry representatives are hoping to take advantage of this situation and are trying to grow production to meet the needs of these new plants. Even though prices to producers are projected to increase in 2013, input costs are still prohibitively high, and tend to restrict expansion.

Price Estimates

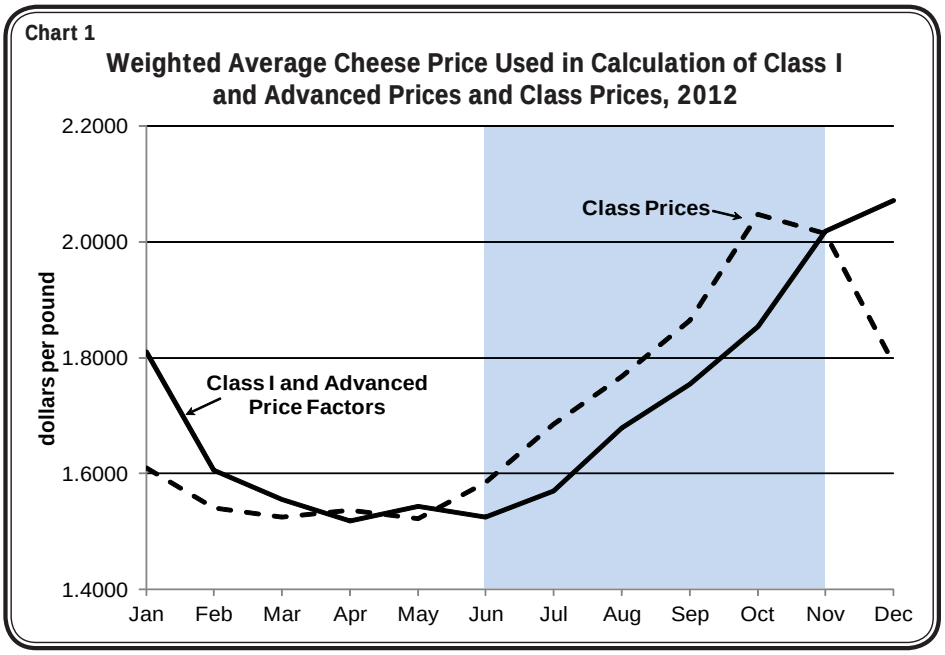
The group consensus for the Northeast Order statistical uniform price (at Boston) is an annual average of $18.74 per hundredweight (cwt) for 2012. For the upcoming year, the group is forecasting $20.40 per cwt for 2013 (see accompanying table), an increase of about 9 percent.

Milk Income Loss Payments (MILC) were paid during 7 months of 2012 and averaged $1.16 per cwt. This was not due to the Class I price falling below the $16.94 per cwt trigger price, but rather falling below the feed cost adjusted trigger price that averaged $21.85 per cwt due to continued high prices for inputs. With the expiration of the Farm Bill, the status of future payments is unknown.

Participants expect the Class III (cheese) price will be the mover in 2013 for a majority, if not all, of the months, although the Class IV (butter/powder) price may be a close competitor during the first few months of the year. Cheese, butter, and nonfat dry milk prices are projected to increase, while whey prices may decline. The producer price differential (PPD) is predicted to average $1.24 (at Boston) per cwt for 2012 and $1.74 per cwt for 2013.❖

PPD and Rising and Falling Price Dynamics

The rise and fall of commodity prices on the Agricultural Marketing Service's National Dairy Product Sales Report (NDPSR), combined with establishing Class I and Class II skim prices earlier than the remaining class prices, can contribute to the occurrence of negative producer price differentials (PPD). This dynamic has occurred in recent months and projects to change as of December.



Dynamics Explained

Prices in 2012 tended to decline across the first half of the year, then rise after June, and are expected to soften in December. This is particularly true of the Class III price. Due to product characteristics, the Class I price and Class II skim price are calculated and announced in advance, with the remaining minimum class prices being calculated and announced after the month has concluded. When commodity prices are moving downward, the remaining class prices are incorporating lower commodity prices for a given month than did the Advance Class I and Class II skim. This results in the uniform price generally above the Class III price (and a positive PPD). When commodity prices rise, particularly the cheese price, the remaining class prices are incorporating higher commodity prices for a given month than did the Advance Class I and Class II skim. This results in the uniform price that can be much closer to the Class III price, and if prices are increasing fast enough, even lower than the Class III price. This results in negative PPDs in some differential zones when the spread between the uniform price and Class III price is narrow, or negative in all zones if the uniform price at Boston is below the Class III price. (See October 2012 *Bulletin*.)

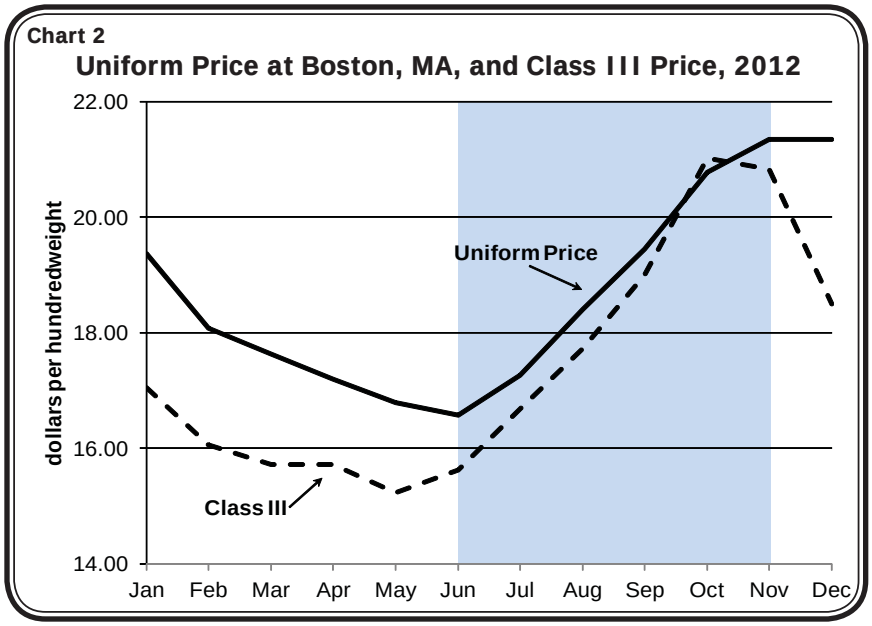
Chart 1 shows the weighted average Class III price from the NDPSR that was used to calculate Order prices for the Minimum Class I Prices and Advanced Price Factors and for the Class and Component Prices for 2012. The shaded area highlights the period of rising prices in which the cheese price captured for Order price formulas is higher for Class and Component prices than for Class I and Advance prices.

Chart 2 shows the resulting relationship between the Northeast Order uniform price at Boston and the Class III price for each month during 2012. The shaded area also highlights the period of rising prices. The narrowing gap between the two lines from June to September is the period in which some zones in the Northeast experienced negative PPDs. The Class III line peaks above the uniform price line in October, depicting the negative PPD for all zones last month.

Positive PPD Predicted

Using Chicago Mercantile Futures prices for December, the charts show the Class III price dropping substantially in Chart 1, and are below the cheese price level that has already established the minimum Class I price. In chart 2, the Class III price line is dropping well below the uniform price, resulting in a positive PPD of $2.85 per hundredweight, however at the same time the uniform price is projected to be $21.34 per hundredweight.

These dynamics often are the reason negative PPDs tend to be associated with rising prices and not as likely when prices are softening, or when the PPD may be high, but the uniform price has dropped below the preceding month's price.❖



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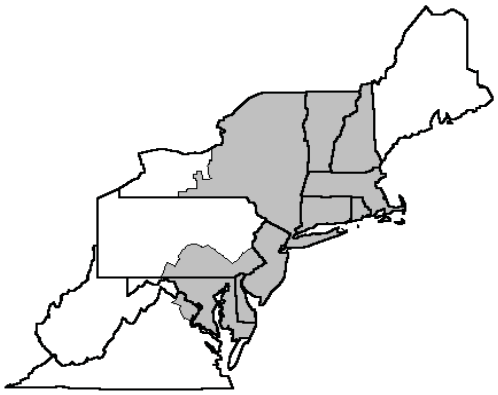
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	838,674,710	$17.02	142,742,435.64	
Butterfat	17,051,810	2.1496	36,654,570.78	
Less: Location Adjustment to Handlers			(2,901,091.85)	$176,495,914.56
Class II— Butterfat	29,428,749	2.0288	59,705,046.00	
Nonfat Solids	42,828,482	1.3478	57,724,228.05	117,429,274.05
Class III– Butterfat	21,414,186	2.0218	43,295,201.24	
Protein	14,683,488	3.7172	54,581,461.59	
Other Solids	26,465,978	0.4624	12,237,868.19	110,114,531.02
Class IV– Butterfat	9,073,001	2.0218	18,343,793.43	
Nonfat Solids	16,039,528	1.3330	21,380,690.85	39,724,484.28
Total Classified Value				**$443,764,203.91**
Add: Overage—All Classes				178,196.75
Inventory Reclassification—All Classes				54,240.79
Other Source Receipts	373,424 Pounds			9,372.90
Total Pool Value				**$444,006,014.35**
Less: Producer Component Valuations @ Class III Component Prices				(443,831,488.31)
Total PPD Value Before Adjustments				**$174,526.04**
Add: Location Adjustment to Producers				10,304,781.59
One-half Unobligated Balance—Producer Settlement Fund				776,806.85
Less: Producer Settlement Fund—Reserv	1,997,119,234 Producer pounds			(871,094.48)
Total Pool Milk & PPD Value				**$10,385,020.00**
Producer Price Differential		**$0.52**		
Statistical Uniform Price		**$21.35**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

December 2012 Federal Order No. 1

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December Pool Price Calculation

The December 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $20.65 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be $21.79 per hundredweight. The December statistical uniform price was 70 cents per hundredweight below the November price. The December producer price differential (PPD) at Suffolk County was $1.99 per hundredweight, an increase of $1.47 per hundredweight from last month.

Similar to November, December product prices for butter dropped 24 cents per pound and cheese prices declined 21 cents for blocks and 23 cents for barrels; nonfat dry milk and whey rose. As a result, component prices for butterfat and protein dropped while nonfat and other solids increased. All class prices declined except Class I, announced in advance and based off of the higher prices in effect during November. The Class IV price was the lowest of the class prices. The Class III price dropped $2.17 per hundredweight increasing the spread between the Class I and III prices and the value of the PPD. A higher PPD was predicted and discussed in the November *Bulletin*.

For the third month in a row, pooled milk receipts set a volume record for the month. The increase in producer milk receipts in December was the largest daily average month-to-month increase since January 2005. The volume of milk used in Class I was the smallest for the month of December on record and the largest daily average month-to-month decline since June 2008. Class II usage set a record for the largest volume for the month of December.

The average producer protein test for December tied with 2010 as the highest for the month. The average producer other solids test set a record for the month.❖

2012 Northeast Order Statistics Summarized

During 2012, the volume of milk received from producers shipping to handlers regulated under the Northeast Order increased 1.1 percent from the previous year. Prices were down from the record-setting levels in 2011.
(continued on page 2)

Pool Summary

- A total of 12,477 producers were pooled under the Order with an average daily delivery per producer of 5,577 pounds.
- Pooled milk receipts totaled 2.157 billion pounds, an increase of 4.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.7 percent of total milk receipts, a decrease of 4.2 percentage points from November.
- The average butterfat test of producer receipts was 3.84 percent.
- The average true protein test of producer receipts was 3.15 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.7	834,248,358
Class II	23.2	501,495,417
Class III	24.9	536,761,537
Class IV	13.2	284,542,916
Total Pooled Milk		2,157,048,228

Producer Component Prices

	2012	2011
	$/lb	
Protein Price	3.3113	3.3404
Butterfat Price	1.7276	1.7443
Other Solids Price	0.4758	0.4683

Class Price Factors

	2012	2011
	$/cwt	
Class I	24.64	21.72
Class II	18.30	18.08
Class III	18.66	18.77
Class IV	17.83	16.87

2012 Northeast Order Statistics *(continued from page 1)*

The accompanying table compares selected pool statistics for 2011 and 2012.

The year ended with 373 less producers than at the end of 2011. Annual average daily deliveries per producer (DDP) equaled 5,341 pounds, an increase of 3.8 percent from 2011.

Class Utilization Changes

The total volume of milk pooled increased 1.1 percent from 2011, up from last year when pooled milk rose a slight 0.1 percent. Comparisons have been adjusted for leap year in 2012, when applicable.

Class I utilization averaged 39.7 percent in 2012, a decrease of 1.7 percentage points from the previous year; the total volume of milk used in Class I declined 3.0 percent. Class II usage jumped 11.7 percent, resulting in overall utilization of 25.9 percent, an increase of 2.4 percentage points. The continued growth in Greek-style yogurt largely was the driving force behind the substantial increase in the Class II volume during the past three years. Class III volume declined 4.3 percent with utilization averaging 23.7 percent, down 1.4 percentage points. The amount of milk used in Class IV grew 6.7 percent and accounted for an annual average of 10.7 percent utilization, up 0.5 percentage points.

Prices Modestly Less Than 2011

Even though commodity prices were generally lower than during 2011, they were still higher than in most years, ranking in the top third over the past thirteen years. Correspondingly, component and class prices followed a similar pattern resulting in the third highest statistical uniform (blend) price since the Order's inception.

Class Prices

The Class I price averaged $20.71 per hundredweight (cwt) in 2012, $1.67 (7.5 percent) below the 2011 annual average. The Class II price averaged $16.64 per cwt, $2.98 and 15.2 percent lower than the previous year. The Class III price averaged $17.44 per cwt, down $0.93 and 5.0 percent from 2011. The Class IV price dropped $3.03, a decline of 15.9 percent, and averaged $16.01 per cwt. The Class II, III, and IV prices were the third highest for their respective categories; the Class I price was the fourth highest average on record.

Overall, the blend price reported at Suffolk County, Massachusetts (Boston) averaged $18.63 per cwt, the third highest on record. Only 2011 and 2007 averages were higher; 2008 averaged $18.62 per cwt. During 2012, the blend averaged over $20.00 per cwt 3 months, compared to 9 months in 2011 and 7 months in 2007.

Component Pricing

With commodity prices declining for butter, cheese, and nonfat dry milk, component prices for butterfat and nonfat solids declined. With the dry whey price increasing and the formula for protein that incorporates the butterfat price, both the producer other solids and protein prices averaged higher in 2012.

The price paid to producers for butterfat averaged $1.7230 per pound, 20.0 percent lower than in 2011. The per-pound annual average protein price was $3.0426 per pound (third highest on record), up 2.6 percent from 2011. The other solids price increased 18.3 percent and averaged $0.4063 per pound, the second highest other solids price ever. The nonfat solids price declined 13.3 percent and averaged $1.1485 per pound, the third highest reported.

Producer Tests

The annual average producer butterfat test equaled 3.73 percent in 2012, unchanged from last year and tied with both 2011 and 2008 for the highest annual average. Records were set during October and November of 2012. The annual average producer protein test was 3.06 percent, down 1 percentage point from 2011's record for the Order. The only record-setting month was November. The annual average producer other solids test increased 2 percentage points to 5.75 percent, setting a new record high annual average. Record highs were set or tied with previous records in ten months of 2012.❖

Northeast Order Pool Statistics, 2011–2012

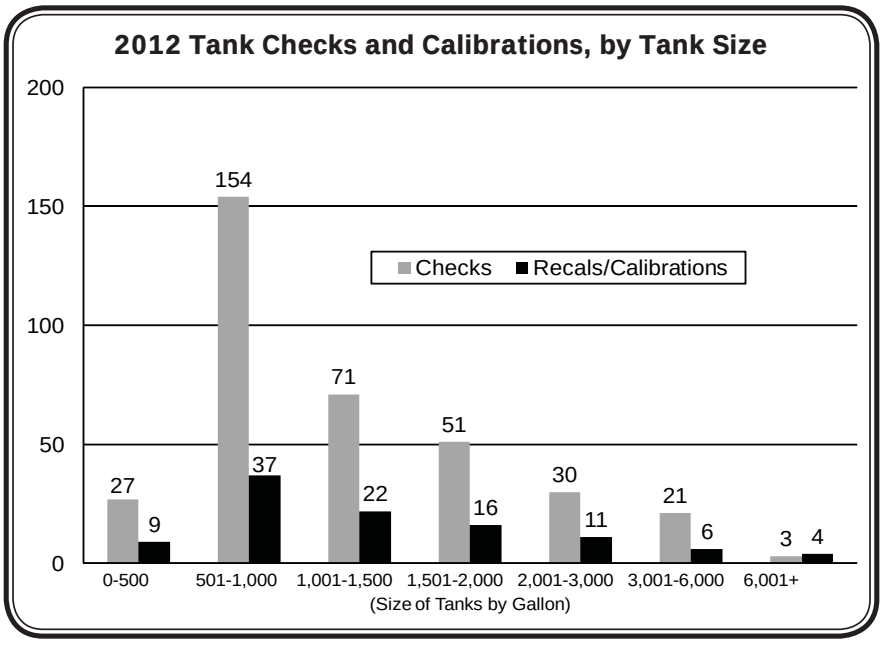
Pool Statistics	2011	2012	2011-12 Change
	million pounds		percent
Class I	10,074.9	9,801.9	(3.0)
Class II	5,723.2	6,410.3	11.7
Class III	6,097.1	5,848.3	(4.3)
Class IV	2,463.0	2,634.8	6.7
Total	24,358.2	24,695.3	1.1
	pounds		
DDP	5,147	5,341	3.8
	utilization percentage		change
Class I	41.4	39.7	(1.7)
Class II	23.5	25.9	2.4
Class III	25.0	23.7	(1.4)
Class IV	10.1	10.7	0.5
	dollars/cwt		percent
Class I	22.38	20.71	(7.5)
Class II	19.62	16.64	(15.2)
Class III	18.37	17.44	(5.0)
Class IV	19.04	16.01	(15.9)
SUP	20.64	18.63	(9.8)
Producer Component:			
Tests:	percent		change
Butterfat	3.73	3.73	0.00
Protein	3.07	3.06	(0.01)
Other Solids	5.73	5.75	0.02
Prices:	dollars/lb		percent
Butterfat	2.1535	1.7230	(20.0)
Protein	2.9663	3.0426	2.6
Other Solids	0.3434	0.4063	18.3
Nonfat Solids	1.3246	1.1485	(13.3)

Market Services 2012 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 27,733 miles in 2012. The market service department checked 357 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2012 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.



Checks/Calibration Results

Of the 357 tanks checked, 25 (7 percent) 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 80 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, 65 percent were 1,500 gallon tanks or smaller. The 357 checks and the 105 additional calibrations total at least 462 farm visits. A breakdown of checks and calibrations/recalibrations by tank size are shown in the accompanying table. A tentative schedule for the calibration trucks during the upcoming season will be presented in the *Bulletin* as spring approaches.❖

Pool Summary for All Federal Orders, January–December, 2011–2012

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2011	2012	Change^	2011	2012	2011	2012
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**24,358,273,875**	**24,695,275,631**	**1.1**	**2.28**	**1.19**	**20.64**	**18.63**
5	Appalachian	6,128,146,669	5,862,598,329	(4.6)	N/A	N/A	21.68	19.70
6	Florida	2,919,070,100	2,889,841,736	(1.3)	N/A	N/A	23.77	21.92
7	Southeast	7,057,077,942	6,793,556,547	(4.0)	N/A	N/A	21.79	20.10
30	Upper Midwest	32,767,000,141	30,683,904,926	(6.6)	0.35	0.08	18.72	17.52
32	Central	13,937,840,934	13,388,598,382	(4.2)	0.77	(0.03)	19.14	17.42
33	Mideast	15,938,483,727	16,805,805,704	5.2	1.18	0.18	19.54	17.62
124	Pacific Northwest	8,022,762,894	6,718,738,404	(16.5)	0.83	(0.25)	19.20	17.20
126	Southwest	11,233,315,480	9,994,236,506	(11.3)	1.85	0.95	20.22	18.40
131	Arizona	4,517,903,674	4,555,889,957	0.6	N/A	N/A	19.70	17.62
	All Market Total/Average	126,879,875,436	122,388,446,122	(3.8)	1.21	0.35	20.44	18.61

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

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Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	817,955,679	$17.88	146,250,475.41	
Butterfat	16,292,679	2.1088	34,358,001.48	
Less: Location Adjustment to Handlers			(2,849,703.14)	$177,758,773.76
Class II— Butterfat	28,188,006	1.7346	48,894,915.23	
Nonfat Solids	43,777,567	1.4078	61,630,058.80	110,524,974.03
Class III— Butterfat	24,010,237	1.7276	41,480,085.43	
Protein	16,838,389	3.3113	55,756,957.49	
Other Solids	30,618,422	0.4758	14,568,245.24	111,805,288.16
Class IV— Butterfat	14,409,804	1.7276	24,894,377.39	
Nonfat Solids	24,952,188	1.3569	33,857,623.90	58,752,001.29
Total Classified Value				**$458,841,037.24**
Add: Overage—All Classes				43,206.83
Inventory Reclassification—All Classes				(284,844.62)
Other Source Receipts	647,139 Pounds			28,211.02
Total Pool Value				**$458,627,610.47**
Less: Producer Component Valuations @ Class III Component Prices				(427,025,945.88)
Total PPD Value Before Adjustments				**$31,601,664.59**
Add: Location Adjustment to Producers				11,539,564.52
One-half Unobligated Balance—Producer Settlement Fund				844,762.27
Less: Producer Settlement Fund—Reserve				(1,047,853.68)
Total Pool Milk & PPD Value	2,157,695,367 Producer pounds			**$42,938,137.70**
Producer Price Differential		**$1.99**		
Statistical Uniform Price		**$20.65**		

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