

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2002

Federal Order No. 1



To contact the Northeast Marketing Area offices:

Boston, MA: phone (617) 542-8966, e-mail address: MABoston@fedmilk1.com; *Albany, NY:* phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA:* phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; *website address:* www.fmmone.com

October Pool Price Calculation

The October 2002 statistical uniform price for the Northeast Marketing Area was announced at \$12.40 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. The October producer price differential (PPD) at Suffolk County was \$1.68 per hundredweight.

The October statistical uniform price was 20 cents per hundredweight above September's price. The October PPD was 60 cents below the previous month's. All class prices increased except the Class I price, which declined 31 cents. These changes caused a decrease in the spread between the Class I, II, and IV prices and the Class III price, which resulted in a lower PPD. ❖

Referendum on Revised Class III and IV Price Formulas

A referendum is currently in progress that allows dairy farmers who ship milk to handlers regulated under the Northeast Marketing Area an opportunity to express their approval or disapproval of an amended Northeast Marketing Order. The amended Order incorporates specific revisions in the Class III and Class IV price formulas. As in all federal order referendums, this referendum is on the entire provisions of the Northeast Marketing Order. The referendum concludes on November 25, 2002.

Background

The USDA issued a final decision November 7, 2002, concluding a federal order proceeding initiated by a mandate from congress to review the pricing formulas following implementation of Federal Order Reform in January 2000. A public hearing was held in May 2000 to consider proposals to change the formulas. Effective January 1, 2001, USDA issued revised formulas that were enjoined by a U.S. District Court at the end of January. In October 2001, following the court injunction, USDA issued a recommended decision again altering the pricing formulas. This final decision makes several minor changes to the previously recommended decision.

Impact

Estimated impacts of the changes to the Class III and IV formulas are based on an economic model for the period 2003 through 2007. This

(continued on page 2)

Pool Summary

- A total of 16,554 producers were pooled under the Order with an average daily delivery per producer of 3,845 pounds.
- Pooled milk receipts totaled 1.974 billion pounds, a decrease of 0.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 48.5 percent of total milk receipts, an increase of 2.2 percentage points from September.
- 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 5.67 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	48.5	957,171,128
Class II	20.0	393,925,644
Class III	26.9	531,787,162
Class IV	4.6	90,690,880
Total Pooled Milk		1,973,574,814

Producer Component Prices

	2002	2001
	\$/lb	
Protein Price	2.1839	2.6664
Butterfat Price	1.0726	1.6526
Other Solids Price	0.0755	0.1482

Class Price Factors

	2002	2001
	\$/cwt	
Class I	13.40	19.18
Class II	11.12	13.53
Class III	10.72	14.60
Class IV	10.50	12.77

Promotion News

National Dairy Board

The USDA recently named six new members and reappointed six incumbents to the National Dairy Promotion and Research Board. All will serve 3-year terms from November 1, 2002, through October 31, 2005.

In the Northeast, Rita P. Kennedy from Valencia, PA, (region 11); Audrey G. Donahoe from Frankfort, NY, (region 12); and Claude J. Bourbeau from St. Albans, VT, (region 13) were reappointed.

Processor Promotion Board

The USDA is seeking nominations for the National Fluid Milk Processor Promotion Board. Seven individuals will be appointed to serve 3-year terms beginning July 2003.

Of the Board's 20 members, 15 represent geographic regions and five are at-large members. The at-large members

must include at least three fluid milk processors and at least one member from the general public. Nominees for all five regional positions and one of the at-large positions must be active owners or employees of a fluid milk processor. Nominees for one at-large position may be active owners or employees of a fluid milk processor or from the general public.

Locally, region 3 (Delaware, Maryland, Pennsylvania, Virginia, and District of Columbia) is one of the regions with an opening.

For nominating forms and procedures, contact David R. Jamison, Chief, Promotion and Research Branch, Dairy Programs, AMS, USDA, Stop 0233, Room 2958-S, 1400 Independence Ave., SW, Washington, DC 20250-0233; telephone (202) 720-6909; fax (202) 720-0285; or email at david.jamison2@usda.gov. ❖

Support Purchase Prices Adjusted

USDA has adjusted the purchase prices for butter and nonfat dry milk (NFD) under the Commodity Credit Corporation (CCC) support program effective with dairy products produced on or after November 15, 2002. The CCC purchase price for butter will increase 19.52 cents to \$1.05 per pound; the price for NFD will decrease 10 cents to \$0.80 per pound. There are no changes to the purchase prices for block or barrel cheese.

The Farm Security and Rural Investment Act of 2002 (2002 Farm Bill) extended the Milk Price Support Program to December 31, 2007, at the support price of \$9.90 per hundredweight for milk with a 3.67 percent butterfat content. The CCC supports the price of milk by purchasing cheese,

butter, and NFD at its announced prices. To help the CCC manage accumulated inventories and control costs from these purchases, the USDA is permitted to adjust the balance between purchase prices up to two times per calendar year.

During the past 2 years, no butter has been purchased, but the CCC has accumulated large supplies of NFD, well above USDA's ability to use the product, resulting in large taxpayer expenditures, growing storage costs, and widening market distortions. The price adjustment is intended to bring into balance the CCC prices for butter and NFD with their respective market prices. In addition to the price adjustment, USDA has recently taken several initiatives to reduce the NFD inventory. ❖

Referendum Formulas *(continued from page 1)*

model employs long-run projections for the agricultural sector and includes a national, annual projection of the supply-demand-price situation for milk. The estimated impacts indicate that the formula changes would increase prices for protein and reduce prices for butterfat and nonfat solids. This results in higher Class III prices and lower Class I, II, and IV prices.

Changes in the national supply-demand situation for milk during the 2003-2007 forecast period could result in variations in the estimated impacts of the proposed formula changes in either a positive or negative direction.

Producers—Average farm milk (blend) prices for the United States are projected to be nearly unchanged. Farm cash receipts in federal order areas are projected to increase by an annual average of \$47.2 million during the 2003 through 2007 period. Minimum blend prices are projected to increase by 1 percent (13 cents per hundredweight) or less in eight of the eleven federal orders, while declines of 5-cents per hundredweight are projected for the three orders in the southeastern United States. The estimated impact for producers pooled on the

Northeast Marketing Order is a 3-cents per hundredweight increase in the minimum blend price for the 2003-2007 period.

Milk Manufacturers and Processors—Combined annual average effects projected for 2003-2007 are Class II and IV prices about 1 percent lower, Class I prices virtually unchanged, and Class III prices up about 2 percent.

Consumers—A projected 1-cent per hundredweight decrease in the minimum Class I price for the 2003-2007 period results in an average \$0.001 decrease in the price per gallon of fluid milk for consumers. The price for manufactured dairy products is estimated to increase by an average of \$0.004 per pound of butter and \$0.001 per pound for cheese.

Additional Information

For additional information, see USDA's website: http://www.ams.usda.gov/dairy/hearing-III_IV.htm. Copies of the Federal Register version of the final decision are available at USDA's website or can be mailed at no cost to producers by calling the Market Administrator's Albany, NY, office at (518) 452-4410. ❖

MARKET SITUATION

MILC Payments

Farmers have been receiving Milk Income Loss Contract Program (MILC) payments since October 15. Nationwide, payments for the period of December 2001 to September 2002 have totaled almost \$612 million as of November 12, 2002. Of that total, \$157 million, or roughly 25 percent, has been paid to Farmers in Northeast states.

New York led Northeast states with payments received totaling \$63 million, followed by Pennsylvania at \$50 million and Vermont with \$15 million. The accompanying table shows payments for states in the Northeast.

Wisconsin is leading all states nationwide with farmers receiving a total \$131 million in payments, roughly 21 percent of the national total. New York's \$63 million total ranked second. Minnesota and Pennsylvania ranked third and

MILC Payments Through November 12, 2002

State	Total Payments
Connecticut	\$2,112,574
Delaware	64,970
Maine	3,883,583
Maryland	6,617,016
Massachusetts	2,468,418
New Hampshire	1,789,456
New Jersey	1,385,263
New York	63,095,637
Pennsylvania	49,603,046
Rhode Island	106,506
Vermont	15,316,092
Virginia	10,613,792
Northeast States Total	\$157,056,353
National Total	611,526,294

Source: USDA, Farm Service Agency

fourth, respectively, with approximately \$50 million in payments received so far.

MILC payments occur in months when the price of Class I milk in Boston, under the Northeast Milk Marketing Order, falls below \$16.94 per hundredweight. Payment rates will be 45 percent of the difference between \$16.94 and the Boston Class I price for that month. Dairy operations will not receive a payment for months during which the Class I price in Boston is \$16.94 or higher. A MILC program calculator that estimates the upcoming months payment is provided at www.fmmone.com.

For more information and requirements, or to sign up for the program, dairy producers should visit their local USDA Farm Service Agency offices. The MILC program runs through September 30, 2005. ❖

Pool Summary for All Federal Orders, January–September, 2001–2002

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2001	2002	Change	2001	2002	2001	2002
		pounds			percent		dollars per hundredweight	
1	Northeast	18,554,681,621	19,322,345,208	4.1	2.61	2.22	15.89	12.74
5	Appalachian	5,066,783,928	5,112,940,426	0.9	N/A	N/A	16.49	13.32
6	Florida	2,098,038,790	2,034,564,817	-3.0	N/A	N/A	17.92	14.74
7	Southeast	5,800,639,481	6,125,994,893	5.6	N/A	N/A	16.30	13.09
30	Upper Midwest	14,679,502,763	15,228,859,638	3.7	0.67	0.56	13.95	11.08
32	Central	13,436,078,788	13,896,212,378	3.4	1.10	0.87	14.38	11.39
33	Mideast	12,797,248,083	13,585,145,897	6.2	1.47	1.17	14.75	11.69
124	Pacific Northwest	5,301,239,339	5,903,184,675	11.4	1.29	0.85	14.57	11.37
126	Southwest	6,391,088,812	7,388,219,451	15.6	2.39	1.99	15.67	12.51
131	Arizona-Las Vegas	2,240,593,579	2,293,673,412	2.4	N/A	N/A	14.71	11.59
135	Western	3,465,737,893	4,199,261,561	21.2	1.00	0.70	14.27	11.26
All Market Total/Average		89,831,633,077	95,090,402,356	5.9	1.50	1.19	15.35	12.25

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable; order prices on skim and butterfat basis.



MARKET ADMINISTRATOR
 One Columbia Circle
 Albany, NY 12203-6379

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

RETURN SERVICE REQUESTED

FIRST CLASS MAIL

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

Computation of Producer Price Differential and Statistical Uniform Price

	<u>Product Pounds</u>	<u>Price per cwt/lb</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	937,515,446	\$10.16	95,251,569.31	
Butterfat	19,655,682	1.0260	20,166,729.73	
Less: Location Adjustment to Handlers			(2,882,938.95)	\$112,535,360.12
Class II— Butterfat	27,824,437	1.0796	30,039,262.15	
Nonfat Solids	33,179,695	0.8456	28,056,750.02	58,096,012.17
Class III— Butterfat	19,408,084	1.0726	20,817,110.95	
Protein	16,200,374	2.1839	35,379,996.78	
Other Solids	30,136,752	0.0755	2,275,324.75	58,472,432.48
Class IV— Butterfat	7,037,228	1.0726	7,548,130.79	
Nonfat Solids	7,587,693	0.7765	5,891,843.65	13,439,974.44
Total Classified Value				\$242,543,779.21
Add: Overage—All Classes				125,015.07
Inventory Reclassification—All Classes				118,623.15
Other Source Receipts	403,570			9,312.47
Less: Producer Component Valuations				(219,069,270.28)
Subtotal				\$23,727,459.62
Add: Location Adjustment to Producers				9,175,516.72
One-half Unobligated Balance—Producer Settlement Fund				1,164,663.04
Total Pool Milk & Aggregate Value	1,973,978,384			34,067,639.38
Less: Producer Settlement Fund—Reserve				(904,802.60)
Producer Price Differential @ Suffolk County, MA (Boston)		\$1.68		33,162,836.78
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$12.40		

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