



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1

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December Pool Price Calculation

The December 2002 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$12.24 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 December producer price differential (PPD) at Suffolk County was \$2.50 per hundredweight.

The December statistical uniform price was 7 cents per hundredweight below November's price while the December PPD was 3 cents above the previous month's. Even though all class prices (except the Class II price) declined from the previous month, the increase in the butterfat price combined with a strong butterfat test helped offset the overall price decline. ❖

Producer Structure in Federal Milk Orders

The Market Information Branch of USDA Dairy Programs released a report summarizing the structure of producers (dairy farmers) delivering milk to federal orders using federal order data from 2001. During 2001, on average, handlers regulated under federal milk orders received milk from slightly more than 66,400 dairy farmers. The volume of milk receipts from these producers totaled about 120 billion pounds, or about 73 percent of all milk marketed in the United States. Producers associated with the Northeast Order during 2001 would have accounted for about 25 percent of all producers nationwide that were associated with a federal milk order.

In May 2001, the average volume of milk receipts for all federal order producers was 161,316 pounds, roughly equivalent to the milk production of 101 cows. This average production volume was 71 percent larger than the average volume marketed by dairy farmers 11 years ago and more than 2.4 times greater than the average for dairy farmers 21 years ago. On a state basis in May 2001, the average volume of milk receipts per producer ranged from 84,785 pounds in Kentucky to 2,768,222 pounds in New Mexico. The state with the largest average number of milk cows per farm was New Mexico, which had 1,480 cows; the state with the lowest average was Rhode Island, with 64 cows.

This report can be accessed at the Dairy Programs website at www.ams.usda.gov/dyfmoms/mib/prod_struc_2001.pdf or by contacting the Market Information branch at (202) 720-7461. ❖

Pool Summary

- A total of 16,565 producers were pooled under the Order with an average daily delivery per producer of 4,073 pounds.
- Pooled milk receipts totaled 2.092 billion pounds, an increase of 2.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.6 percent of total milk receipts, a decrease of 2.6 percentage points from November.
- The average butterfat test of producer receipts was 3.82 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.68 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.6	933,101,052
Class II	15.9	333,211,461
Class III	30.6	639,719,481
Class IV	8.9	<u>185,632,053</u>
Total Pooled Milk		2,091,664,047

Producer Component Prices

	2002	2001
	\$/lb	
Protein Price	1.7506	1.9782
Butterfat Price	1.1922	1.4322
Other Solids Price	0.0584	0.1517

Class Price Factors

	2002	2001
	\$/cwt	
Class I	13.77	15.23
Class II	11.62	12.61
Class III	9.74	11.80
Class IV	10.49	11.79

Intermarket Movements Compared

During September, October, and November 2002, a net volume of 20.3 million pounds in bulk milk was shipped out of the Northeast Order. In 2001, a net 55.2 million pounds was shipped into Order No. 1, while a net 41.3 million pounds was shipped out of the Order during the same period in 2000 (see accompanying table).

Shipments out of the Order primarily go to the Appalachian (F.O. 5), Florida (F.O. 6), Southeast (F.O. 7), Upper Midwest (F.O. 30), and Mideast (F.O. 33) federal milk marketing orders. Milk shipped into the Northeast from other federal orders mainly comes from Orders No. 5, 30, and 33.

In the fall months of 2002, monthly shipments from other federal orders ranged from 17.4 to 20.1 million pounds. Monthly shipments to other orders ranged from 23.2 to 26.6 million pounds. During the same months in 2001, monthly shipments were more erratic. Milk received in Order No. 1 ranged from 19.3 to 45.2 million pounds,

while shipments to other federal orders during the same months in 2002 ranged from 8 to 20.9 million pounds. During 2000, shipments into the Order were similar to 2002, only ranging about 5 million pounds; however, shipments out of the Order ranged nearly 26 million pounds during the 3-month period.

For the months compared, F.O. 5 accounted for the largest volume of milk sent to the Northeast Order, followed by F.O. 33. During all comparison periods, the largest volume sent from the Northeast Order went to F.O. 6. From September–November 2002, F.O. 33 received the next

	2000		2001		2002	
	Receipts	Shipments	Receipts	Shipments	Receipts	Shipments
	million pounds					
Sep.	20.8	44.8	19.3	20.9	17.7	23.2
Oct.	26.0	37.3	36.6	17.0	17.4	26.6
Nov.	23.3	29.3	45.2	8.0	20.1	25.7
Total	70.1	111.4	101.1	45.9	55.2	75.5
Net		41.3		(55.2)		20.3

largest volume; during 2001, the second largest receiver was F.O. 7; and F.O. 30 received the second largest volume during 2000.

The availability of milk in the Northeast Order and the availability/demand for milk in the other regions affects the volume of milk moved to and from the Northeast Order. ❖

Class I Sales Decline in 2002

Sales of fluid milk products in the Northeast Milk Marketing Area totaled 9.4 billion pounds during 2002, down nearly 1 percent from 2001. From 2000 to 2001, sales were statistically unchanged. On a per capita basis, sales in the marketing area declined 1.5 percent in 2002. The accompanying table shows sales by type of product for 2001 and 2002.

Whole milk sales declined 1.7 percent, the largest drop for the products reported. Fat free (skim milk) sales showed the next largest decline. Sales of low fat (1% milk) products increased at a greater rate than in 2001. Sales of flavored milk and drinks and the combined sales of buttermilk and eggnog grew, but at much lesser rates than during 2001.

On a per capita basis, the only product categories to show increases were lowfat and flavored milk and drinks. Sales of whole, reduced, and fat free milk all declined on a per capita basis. Combined sales of buttermilk and eggnog were unchanged.

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, Washington, DC, and Baltimore. The total estimated population for the marketing area was about 51.3 million people based on the 2000 Census. Projected growth was 0.7 percent annually for 2001 and 2002. ❖

Product	Total In-area Sales		2001-02 change percent	Per Capita Sales	
	2001	2002		2001	2002
	million pounds			pounds	
Whole Milk	3,819.1	3,754.9	(1.7)	73.8	72.1
Reduced Fat – 2%	2,014.6	1,992.2	(1.1)	38.9	38.3
Lowfat – 1%	1,559.8	1,579.5	1.3	30.2	30.3
FatFree	1,478.9	1,455.2	(1.6)	28.6	27.9
Flavored Milk and Drinks	530.5	539.7	1.7	10.3	10.4
Buttermilk/Eggnog	55.4	57.8	4.2	1.1	1.1
Total	9,458.4	9,379.1	(0.8)	182.9	180.1

MARKET SITUATION

2002 Northeast Order Statistics Summarized

During 2002, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 25.4 billion pounds, an increase of 3.3 percent from last year. The average number of producers declined 1.7 percent from 2001, while average daily deliveries per producer (DDP) increased 5.1 percent. The accompanying table compares selected pool statistics for 2001 and 2002.

Class Utilization Changes

Class I utilization averaged 42.2 percent in 2002, down 1.1 percentage points from the previous year. As in 2001, the total volume of milk used in Class I increased, but because of a larger volume of producer milk receipts, the percentage declined. Class II usage increased 7.5 percent resulting in a utilization increase of 0.7 percentage points. Class III volume increased slightly (1.4 percent), but based on the larger total volume resulted in a 0.6 percentage-point decline. Milk used in Class IV jumped 15.6 percent on a volume basis, but only 1.0 percentage points in overall utilization.

Lower Prices

Strong milk production in many of the leading dairy states during most of 2002, combined with a decline in demand, resulted in considerably lower prices throughout most of the year. Prices began to tumble during the fall of 2001, most likely impacted by the fallout of the September 11 attacks that affected nearly every industry. As consumers stayed closer to home, restaurants—a big dairy product user—suffered. Dairy product surpluses began to build, especially as milk production recovered, and prices plummeted.

Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston), averaged \$12.64 per hundredweight in 2002. This was down 19.3 percent from the previous year. The Class I price, which is based on advance product price data for the prior month, dropped 18.6 percent from 2001. Class II, III, and IV annual average prices were all down about 21 percent from the previous year. Once again, the Class IV price was the primary mover of Class I prices, exceeding the Class III price in 9 months during 2002.

Component Pricing

The average price paid per pound to producers for butterfat declined 35.5 percent in 2002. The per-pound annual average protein price actually increased 1 cent from the previous year, while the annual average other solids price dropped. The protein price increase was

Northeast Order Pool Statistics, 2001 and 2002

Pool Statistics	2001	2002	2001-02 Change
	million pounds		percent
Class I	10,642.1	10,694.8	0.5
Class II	4,101.5	4,408.0	7.5
Class III	7,680.2	7,790.1	1.4
Class IV	2,133.4	2,465.5	15.6
Total	24,557.2	25,358.4	3.3
	pounds		
DDP	3,918	4,117	5.1
	utilization percentage		change
Class I	43.3	42.2	(1.1)
Class II	16.7	17.4	0.7
Class III	31.3	30.7	(0.6)
Class IV	8.7	9.7	1.0
	dollars/cwt		percent
Class I	17.52	14.26	(18.6)
Class II	14.53	11.55	(20.5)
Class III	13.10	10.42	(20.5)
Class IV	13.76	10.81	(21.4)
SUP	15.67	12.64	(19.3)

not due to an increase in the commodity cheese prices (reported by the National Agricultural Statistics Service) as they declined 17 percent from 2001. Rather, the change is due to how the butterfat value is incorporated in the protein price formula. Average producer component tests were relatively unchanged. As a result, the drop in component prices equated to a 17.8 percent decline in the total producer component value for 2002.

Producer Changes

The decline in the simple average number of producers was greater this year than last. In addition, 2002 finished the year with 376 producers less than at the end of 2001, which was down 172 from the previous year. The average DDP grew 5.1 percent from 2001, signaling a continued trend toward a smaller number of larger farms. ❖

Filing Dates: Northeast Hearing

The transcript and exhibits relative to the Hearing to Consider Proposals to Make Various Changes to the Northeast Order, held September 10-13, 2002, have been posted on the USDA/Dairy Programs website at www.ams.usda.gov/dairy/ne_hear.htm.

Briefs, Proposed Findings of Fact, Conclusions and Order should be filed by January 31, 2003. ❖



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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	912,880,198	\$10.24	93,478,932.28	
Butterfat	20,220,854	1.1107	21,802,124.78	
Less: Location Adjustment to Handlers			(2,786,475.00)	\$113,151,759.88
Class II— Butterfat	25,456,399	1.1992	30,527,313.65	
Nonfat Solids	27,996,692	0.8544	23,920,373.66	54,447,687.31
Class III— Butterfat	23,303,157	1.1922	27,782,023.79	
Protein	19,521,544	1.7506	34,174,414.90	
Other Solids	36,338,271	0.0584	2,122,155.05	64,078,593.74
Class IV— Butterfat	10,824,116	1.1922	12,904,511.09	
Nonfat Solids	15,955,941	0.7282	11,619,116.26	24,523,627.35
Total Classified Value				\$256,201,668.28
Add: Overage—All Classes				47,184.77
Inventory Reclassification—All Classes				97,191.95
Other Source Receipts	68,964			2,979.24
Less: Producer Component Valuations				(214,121,841.42)
Subtotal				\$42,227,182.82
Add: Location Adjustment to Producers				10,059,322.74
One-half Unobligated Balance—Producer Settlement Fund				1,045,545.66
Total Pool Milk & Aggregate Value	2,091,733,011			53,332,051.22
Less: Producer Settlement Fund—Reserve				(1,038,725.96)
Producer Price Differential @ Suffolk County, MA (Boston)		\$2.50		52,293,325.26
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$12.24		

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