

Bulletin

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Butter and Cheese Prices Change

In recent weeks, wholesale dairy commodity price changes at the Chicago Mercantile Exchange (CME) have fluctuated. On April 16 the price for 40-pound blocks of Cheddar cheese settled at \$1.2500 per pound. The block cheese price dropped to \$1.1950 and \$1.1800 during the next two weeks, but rebounded to \$1.2100 on May 7 and \$1.2300 on May 14. Block prices on the National Agricultural Statistics Service survey equaled \$1.1810 for the week ending May 8.

On April 25, 1997, the National Cheese Exchange closed with 40-pound block cheese prices ending at \$1.1800 per pound. On May 1, 1997, trading began at the CME with block cheese settling at \$1.1500 per pound.

Grade AA butter prices at the CME rose to \$1.49 per pound on April 24, an increase of \$0.1450 from the previous week. As of May 15, the Grade AA price remained at that level. ♦

Mailbox Prices Compared

Order No. 2 mailbox prices averaged \$12.75 per hundredweight during 1997, a decrease of 10.1 percent from the 1996 average. Uniform prices for Order No. 2 averaged an equivalent \$12.76, down 11.3 percent from the previous year. Table 1 shows the monthly Order No. 2 mailbox and uniform prices for 1996 and 1997 (see page 3 for tables).

On average, 1997 mailbox prices were much closer to monthly uniform prices than the previous year. In 1997, the annual averages were nearly equal; in 1996, the spread was \$0.19 per hundredweight. Mailbox prices closely follow the direction of uniform prices, but they are also affected by butterfat tests and differentials, premiums, hauling charges, and other deductions. Table 2 shows a comparison of these factors. Uniform prices are adjusted to 3.5 percent butterfat and reported at the 201-210 mile zone, whereas mailbox prices are reported at average butterfat test.

During 1997, premiums increased 46.7 percent, hauling charges dropped 3.0 percent, and other deductions declined 14.5 percent mainly due to the elimination of the Commodity Credit Corporation (CCC) assessment in May of 1996. Butterfat payments increased 11.5 percent mainly due to (continued on page 3)

April 1998 Pool Highlights

- The April 1998 uniform price equaled **\$13.50**, a decrease of \$0.39 from last month and an increase of \$0.68 from last year.
- All class prices were above last year's. Class III-A pricing added \$0.04 to the March uniform.
- Producer receipts totaled 1,033.9 million pounds, an increase of 5.5 percent from last year.
- Class I receipts totaled 388.2 million pounds, an increase of 3.8 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,415 pounds, a year-to-year increase of 6.1 percent. This is the highest DDP on record and the first time DDP surpassed 3,400 pounds in Order No. 2. ♦

Order No. 2 Prices and Utilization for April

	1997	1998	Percent change
Prices*	dollars per cwt		
Uniform	12.82	13.50	5.3
Class I	14.88	15.74	5.8
Class II	12.76	13.62	6.7
Class III	11.35	11.92	5.0
Class III-A	12.01	12.79	6.5
Utilization	million pounds		
Class I	374.1	388.2	3.8
Class II	157.0	151.0	(3.8)
Class III	404.5	452.6	11.9
Class III-A	44.1	42.2	(4.4)
Producer Receipts#	979.8	1,033.9	5.5

* For bulk milk testing 3.5 percent butterfat in the 201-210 mile zone.

Totals due not add due to rounding.

U.P. Forecasted to Decrease

The uniform price forecast for **May 1998** is **\$12.87** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

Container Survey Completed

The November 1997 container sales survey for the New York–New Jersey Milk Marketing Area was recently completed. The survey is conducted biennially and records sales data for the month of November. Information is collected from handlers operating plants regulated under Order No. 2 and other federal orders, handlers operating non-pool plants, and producer-handlers that have sales in the marketing area.

Total in-area packaged sales equaled 355.1 million pounds, a decrease of 2.7 percent from the last survey in November 1995. Packaged sales include whole, lowfat (2% and 1%), skim, flavored milk and drinks, and buttermilk. All comparisons in this article are based on sales volume in pounds unless otherwise noted.

Container Size

Gallon size containers have continued their popularity, increasing to 47.8 percent of total sales, up from 46.6 percent in 1995. The accompanying table compares the current data to surveys from 1977, 1987, and 1995. Half-gallon containers have held since the last survey, but have lost market share over the past twenty years. Quarts and half-pints have continued to drop. Pint usage experienced an increase over the years, but appears to be on the decline.

For both whole and lowfat milk, sales are concentrated in gallon containers. Half-gallons are the predominant container size for skim, pints for flavored milk, and half-pints for flavored drinks. Buttermilk is sold largely in quarts.

Container Type

With the 1993 survey, the preference in container type switched from paper to plastic. The table shows the change that has occurred over the years. It is expected that plastic usage will continue to dominate, especially with the introduction of plastic single-serve containers in recent years. Unfortunately, individual data for these containers was not available during the most recent survey.

The majority of whole and lowfat milk is sold in plastic containers. The other products are largely sold in paper containers. Glass usage continues to decline.

Method of Distribution

In the Order No. 2 area, wholesale deliveries accounted for 99.8 percent of total sales in the 1997 survey; home deliveries declined to 0.2 percent. Of the wholesale total, 61.8 percent were to supermarkets, 12.2 percent to dairy and convenience stores, school accounts represented 5.7 percent, military accounts had 0.1 percent, and 20.1 percent were to various other wholesale accounts. Since the last survey in 1995, both supermarkets and dairy/convenience stores experienced growth; school and military accounts have held constant.

Detailed results of the November 1997 survey and historical data will be available in the 1998 Quarterly A issue of the *Bulletin*. ♦

Packaged Sales in the NY–NJ Marketing Area, by Container Size and Type, November

Container size	1977	1987	1995	1997
	percent of sales volume			
Gallon	28.1	39.1	46.6	47.8
Half-gallon	39.1	34.6	30.7	30.7
Quart	18.9	13.2	10.6	10.4
Pint	0.7	1.9	1.8	1.3
Half-pint	9.5	8.7	8.1	7.5
Other	3.7	2.5	2.3	2.3
Total	100.0	100.0	100.0	100.0
Container type				
Plastic	26.6	42.7	56.1	57.9
Paper	69.7	56.5	43.2	41.6
Glass	3.7	0.8	0.7	0.5
Total	100.0	100.0	100.0	100.0

Note: Totals may not add due to rounding.

Top Supply Counties for Order No. 2 Milk

Lancaster County, PA, was the top supply county for milk pooled in Order No. 2 during 1997, accounting for 6.8 percent of all milk pooled under the order. Total receipts from Lancaster County were 33.8 percent greater than the second ranked county—Wyoming, NY. This marked the ninth consecutive year that Lancaster County has held the number one position.

The accompanying table shows the top-ten supply counties based on milk delivered to handlers regulated under Order No. 2. The volumes reported do not necessarily represent all the milk produced in these counties. For instance, the

Producer Receipts by Top-Ten Counties Under Order No. 2, 1996–97

County*	Producer receipts		Percent change
	1996	1997	
thousand pounds			
Lancaster (PA)	762,109	795,600	4.4
Wyoming	581,106	594,534	2.3
St. Lawrence	551,566	543,968	(1.4)
Jefferson	480,064	498,547	3.9
Bradford (PA)	453,602	445,318	(1.8)
Lewis	440,573	440,714	0.0
Cayuga	425,646	424,521	(0.3)
Madison	376,433	361,951	(3.8)
Oneida	358,811	344,838	(3.9)
Steuben	337,349	340,267	0.9
Top Ten Total	4,767,259	4,790,258	0.5
Order No. 2 Total	11,712,880	11,758,965	0.4

* New York counties unless noted.

(continued on page 3)

Top Supply *(continued from page 2)*

milk pooled in Order No. 2 from Lancaster County only represents about 42 percent of the total volume of milk produced in the county. Milk receipts from Lancaster increased 4.4 percent in 1997, the largest gain among the top ten counties. This increase, however, is largely due to the switching of producers and their associated milk production from being pooled under Federal Order No. 4 (Middle Atlantic Marketing Area) to Order No. 2. Handlers often switch producers from one order to another, depending on their route sales in a respective order.

Rankings Remain Unchanged

Bulk farm milk was picked up by handlers regulated under Order No. 2 from 113 counties in the states of

New York, New Jersey, Pennsylvania, Connecticut, Maryland, Massachusetts, and Vermont during 1997. The ranking of the top ten counties, who collectively accounted for 40.7 percent of total Order No. 2 receipts, the same level as 1996, did not change. After Lancaster, Jefferson and Wyoming counties experienced the largest increases in producer receipts despite a decrease in the number of farms pooled in Order No. 2 from these counties. Producer receipts from the top ten counties increased by 0.5 percent, slightly more than the 0.4 percent increase in total receipts under Order No. 2. This reversed the drop in producer receipts pooled under Order No. 2 that occurred in 1996. ♦

Mailbox *(continued from page 1)*

higher butter prices that resulted in a higher average butterfat differential.

Table 3 contains average mailbox prices, premiums, hauling, and other deductions for the major producing states in Order No. 2. New Jersey farmers continued to receive the highest mailbox prices under Order No. 2. Even though they received lower premiums than the other states shown, they received a higher average price due to location adjustments. Pennsylvania producers continued to receive the highest premiums, but they had the highest hauling and other charges.

Premiums and deductions may vary among handlers located within the different states. In addition, amounts may vary even among producers shipping to the same handler due to such variables as incentive-type premiums and large-production hauling discounts.

For January and February 1998, mailbox prices equaled \$14.05 and \$14.32, respectively, per hundredweight. ♦

Table 2. Annual Estimated Average Prices and Selected Factors Under Order No. 2, 1996-97

Price/Factor	1996	1997	1996-97	
	dollars per hundredweight		Change	
				percent#
Mailbox Price	14.19	12.75	(1.44)	(10.1)
Uniform Price	14.38	12.76	(1.62)	(11.3)
BF Value*	0.16	0.18	0.02	11.5
Premium	0.24	0.36	0.11	46.7
Hauling	0.34	0.33	(0.01)	(3.0)
Other**	0.25	0.21	(0.04)	(14.5)
BF Differential	0.10	0.11	0.01	13.0
BF Test (%)	3.69	3.66	(0.04)	(1.0)

Calculated using more detailed data.

* Butterfat (BF) value equals amount added to uniform price based on butterfat above 3.5 percent average test times the BF differential.

** Other deductions include cooperative dues and equity, milk promotion, and CCC assessment until May 1996.

Table 1. Mailbox and Uniform Prices Under Order No. 2, 1996-97

Month	Mailbox		Uniform	
	1996	1997	1996	1997
January	13.44	12.59	13.69	12.65
February	13.29	12.67	13.59	12.70
March	13.18	13.03	13.48	13.02
April	13.16	12.78	13.48	12.82
May	13.70	12.38	13.90	12.45
June	14.08	11.72	14.31	11.87
July	14.82	11.46	15.06	11.67
August	15.08	12.04	15.30	12.22
September	15.68	12.51	15.81	12.59
October	15.69	13.56	15.62	13.37
November	14.85	14.21	14.87	13.86
December	13.75	14.15	13.79	13.95
Weighted Avg.	14.19	12.75	14.38	12.76

Table 3. Estimated Average Mailbox Prices, Premiums, and Selected Deductions Under Order No. 2, by State, 1996-97

	Mailbox	Premium	Hauling	Other*
	dollars per hundredweight			
1996				
NY	14.17	0.23	0.30	0.24
NJ	14.66	0.18	0.43	0.24
PA	14.22	0.27	0.42	0.27
All States	14.19	0.24	0.34	0.25
1997				
NY	12.67	0.33	0.29	0.21
NJ	13.20	0.29	0.40	0.20
PA	12.80	0.41	0.42	0.23
All States	12.75	0.36	0.33	0.21

* Other deductions include cooperative dues and equity, milk promotion, and CCC assessment until May 1996.

Determination of Uniform Price of \$13.50

Per hundredweight of milk testing 3.5 percent butterfat received in bulk from farms in the 201-210 mile zone

April 1998

TOTAL VALUE OF POOLED MILK				Value at	Trans-	Total	Contribution
Class	Milk pounds	Per-cent	Minimum price	minimum price	portation differential	value	per cwt of receipts
dollars							
I-A	374,688,423	36.2	15.74	58,975,957.82	132,822.95	59,108,780.77	5.717
I-B	13,518,984	1.3	15.74	2,127,888.09	(489.11)	2,127,398.98	0.206
II	151,016,272	14.6	13.62	20,568,416.25	17,761.11	20,586,177.36	1.991
III	452,574,866	43.8	11.92	53,946,923.98	46,418.36	53,993,342.34	5.222
III-A	<u>42,150,182</u>	<u>4.1</u>	12.79	<u>5,391,008.29</u>	<u>10,320.83</u>	<u>5,401,329.12</u>	<u>0.522</u>
Reported receipts	1,033,948,727	100.0		141,010,194.43	206,834.14	141,217,028.57	13.658
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(6) I	1,693,199		50,861.76				
Sec. .60(d)(6) II	6,287,658		54,068.60				
Total Sec. .60(d)(2) thru (6)	7,980,857		104,930.36			104,930.36	0.010
Total adjustments	7,980,857		104,930.36				
Total pool milk classified	1,033,948,727						
Handlers must pay			104,930.36	141,010,194.43	206,834.14	141,321,958.93	** 13.668
COMPUTATION OF UNIFORM PRICE						Dollars per cwt	
	<u>Milk pounds</u>			<u>Dollars</u>		<u>of receipts</u>	
Total value of pooled milk				141,321,958.93		13.668	
Less: Cooperative payments	668,197,015		267,278.81			0.026	
Reserve			850,926.95			0.082	
Transportation credit	1,033,948,727		1,550,923.10	<u>(2,669,128.86)</u>		<u>0.150</u>	<u>(0.258)</u>
Value of pooled milk less subtractions				138,652,830.07		13.410	
Add: Freight adjustment to 201-210 mile zone			40,279.42			0.004	
Unreserved cash in producer settlement fund			<u>889,968.66</u>	<u>930,248.08</u>		<u>0.086</u>	<u>0.090</u>
Uniform Price	1,033,948,727			139,583,078.15		13.500	

* Includes transportation and other applicable differentials.

** In addition handlers must pay \$2,404,832.53 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.663794 percent. The butterfat differential was \$.142 for each one-tenth of one percent of butterfat.

Comparative Price and Other Descriptive Statistics

	APRIL 1997	MARCH 1998	APRIL 1998
Order No. 2			
Handlers (with producer milk)	39	32	32
Bulk Tank Units	106	94	93
Producers	10,150	10,211	10,093
Daily Deliveries Per Producer (pounds)	3,218	3,326	3,415
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	11.44	12.81	12.01
Cheddar Cheese, 40-lb blocks, per lb #	1.2378	1.3793	1.3072
Butter, Grade A, 92-Score, Chicago Mercantile	.9190	1.2505	1.2856
Exchange, per lb			
Nonfat dry milk, Central States, per lb	1.1440	1.0467	1.0426
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	13.96	14.82	14.68
Order No. 2, 1-10 mile Zone* (New York City)	13.69	14.76	14.37
Order No. 4, Philadelphia†	13.62	14.44	14.33
Class I Utilization Percentage			
Order No. 1	46.8	45.2	44.2
Order No. 2	38.2	40.2	37.5
Order No. 4	42.2	40.7	38.6

National Cheese Exchange through April 1997; National Agricultural Statistics Service beginning May 1997.

* Includes 15-cent transportation credit.

† Includes 6-cent direct-delivery differential.