**New York–
New Jersey
Milk Marketing
Area**

The Market Administrator's Bulletin

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Federal Order No. 2

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Price Information Under the Northeast Order

The implementation of federal order reform regulations for the new Northeast Marketing Area, which commenced January 1, 2000, brings about several changes in the dates price information will be released, as well as the dates by which producers will receive payments. In most cases prices will be announced sooner and payments will be made earlier. In addition, the formulas that will be used to derive class and component prices will incorporate timelier market price information based on nationally surveyed prices for cheese, butter, nonfat dry milk, and dried whey. Price *decreases* and *increases*, therefore, should be reflective of current supply and demand conditions and will be transmitted to producers more immediately.

Price Announcements

Class and component prices will now be released on two separate announcement dates. The announcement of *advance prices and pricing factors*—information primarily applicable to handlers—will be released on the Friday before the 23rd of the month and applies to the upcoming month. If the 23rd is a Friday, the announcement is released that day. The second announcement releases the remaining *class and component prices* for the month. This announcement is released on the Friday before the 5th, unless the 5th falls on a Friday, and applies to the preceding month.

Payments to Producers

The dates by which producers must receive payment under the consolidated Northeast Order are advanced from current payment dates. The partial payment, for milk shipped by producers during the first 15 days of the month, moves to the 26th unless this day is a weekend or holiday when payment is made on the next business day. The advance payment to producers is made on a hundredweight basis and cannot be less than the lowest class price for the preceding month. The final payment, for the remainder of the month's production, is advanced to the 17th of the month. In some months this date can be delayed as late as the 19th depending on the calendar composition of the month. The final payment is where

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December 1999 Pool Highlights

- The December 1999 uniform price equaled **$11.66** per hundredweight, a decrease of $2.86 from last month and down $5.79 from December 1998. This was the largest year-to-year blend price decline on record under Order No. 2.
- Class I and II prices were $4.55 below last year's. The Class III price was $7.71 lower and the Class III-A price was $2.79 lower than 1998's.
- In December, producer milk receipts totaled 961.8 million pounds, a decrease of 1.8 percent from last year.
- Class I usage totaled 399.8 million pounds, down 5.0 percent from the previous year.
- Daily deliveries per producer (DDP) equaled 3,490 pounds. This was a year-to-year increase of 149 pounds (4.5 percent).♦

Order No. 2 Prices and Utilization for December

	1998	1999	Percent change
Prices*	dollars per cwt		
Uniform	17.45	11.66	(33.2)
Class I	18.46	13.91	(24.6)
Class II	16.34	11.79	(27.8)
Class III	17.40	9.69	(44.3)
Class III-A	13.54	10.75	(20.6)
Utilization	million pounds		
Class I	420.7	399.8	(5.0)
Class II	134.1	137.1	2.3
Class III	389.8	401.6	3.0
Class III-A	35.0	23.2	(33.7)
Producer Receipts	979.6	961.8 #	(1.8)

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

\# Total does not add due to rounding.

No Price Estimate

Due to changes in federal order milk pricing, we are not providing a uniform price estimate. The new pricing formulas include multiple component pricing, a producer price differential, and a statistical uniform price. These changes will appear in next month's bulletin.♦

1999 Order No. 2 Statistics Summarized

Even though 1998's record-high prices could not be sustained, 1999 finished with the third highest average uniform price under Order No. 2. During 1999, the Basic Formula Price (BFP) witnessed not one, but two record declines in the same year, which were reflected in the class and uniform prices. The Order No. 2 uniform price averaged $14.00 for 1999, a decline of $0.73 (5.0 percent) from 1998. For the first time since 1996, total milk receipts pooled under the order dropped below the previous year. The accompanying table summarizes milk receipts, utilization, and prices for Order No. 2 for the 1998-99 period.

Order No. 2 Pool Statistics, 1998–99

Pool statistic	1998	1999	1998–99 Change
	million pounds		percent
Class I	4,844.7	4,668.9	(3.6)
Class II	1,788.1	1,792.5	0.2
Class III	4,969.8	4,927.5	(0.9)
Class III-A	302.2	271.8	(10.1)
Total Receipts	11,904.8	11,660.7	(2.1)
	pounds		
DDP	3,314	3,510	5.9
	utilization percentage		change
Class I	40.7	40.0	(0.7)
Class II	15.0	15.4	0.4
Class III	41.7	42.3	0.6
Class III-A	2.5	2.3	(0.2)
	dollars/cwt		percent
Class I	15.96	16.08	0.8
Class II	13.84	13.96	0.9
Class III	14.21	12.44	(12.5)
Class III-A	14.86	12.14	(18.3)
Uniform	14.73	14.00	(5.0)

Receipts Lower, But DDP Remains Strong

Producer milk receipts totaled 11,660.7 million pounds in 1999, a decline of 2.1 percent from last year. Some of this decrease can be attributed to pooling changes that occurred during the year. Producer numbers continued to drop, a combination of pooling changes and farm exits. The 1999 year finished with 8,891 producers compared to 9,458 at the end of 1998. The trend toward larger operations continued, reflected in the 5.9 percent increase in daily deliveries per producer (DDP).

Class Utilization Changes

Milk used for Class I (fluid drinking) declined 3.6 percent in 1999, decreasing Class I utilization by 0.7 percentage points. Class II usage increased 0.2 percent resulting in a 0.4 percentage point increase in utilization. Milk used for Class III purposes dropped 0.9 percent, but compared to the decline in total milk receipts, resulted in a 0.6 percentage point utilization increase. Class III-A usage dropped 10.1 percent and lowered utilization 0.2 percentage points.

Prices Mixed, But Decline Overall

The BFP finished strong at the end of 1998, resulting in strong Class I and II prices for January and February 1999. The record declines in the BFP mentioned above occurred in February and October, but the lowest BFP witnessed in over 20 years occurred in November. Due to advanced class pricing, the November BFP did not affect Class I and II prices in 1999. As a result, Class I and II prices averaged $0.12 per hundredweight higher in 1999. Class III prices (equivalent to the BFP) averaged $1.77 per hundredweight (12.5 percent) lower than in 1998. Class III-A prices were down $2.72 per hundredweight (18.3 percent) below last year's.

Strong milk production, particularly in the western United States, and sufficient cheese stocks helped suppress milk prices during 1999. These factors are expected to continue into 2000, keeping commodity prices weak. For additional information on milk price projections, see article titled USDA Updates Projections.♦

USDA Updates Projections

In USDA's recently released publication, *World Agricultural Supply and Demand Estimates*, total milk production has been forecasted slightly downward. As of December 10, 1999, U.S. total milk production for the 1999–2000 marketing year (October 1–September 30) is projected at 164.4 billion pounds, an increase of 2 percent from the previous year. This is a decrease of 400 million pounds from last month's projection.

The forecast for total commercial use was lowered to 167.1 billion pounds for the 1999–2000 year, down from the previous month's estimate of 167.4 billion pounds. Although lower than the previous estimate, commercial use is still projected to be higher than the 162.8 billion pounds during the 1998–1999 year.

In addition, USDA lowered price projections due to weaknesses in product prices. The Basic Formula Price (BFP) has been replaced by a Class III price estimate beginning January 1, 2000. For the 1999–2000 year, the BFP/Class III annual average is projected in the $10.40 to $11.00 per hundredweight range. This is down from a range of $10.75 to $11.45 per hundredweight forecasted last month. The all-milk price estimate for 1999-2000 was lowered to a range of $12.25 to $12.85 per hundredweight from $12.40 to $13.10 per hundredweight last month. The BFP and all-milk prices averaged $14.04 and $15.37 per hundredweight, respectively, for the 1998–1999 year.♦

Order No. 2 Merges into New Northeast Order

Order No. 2 was established in September 1938 as the New York Metropolitan Milk Marketing Area. At that time it encompassed New York City and the New York counties of Nassau, Suffolk, and Westchester. The Order was suspended in February 1939 and became effective again in July of that year. The marketing area expanded in August 1957 to include additional counties in upstate New York and northern New Jersey. Throughout the years, many changes have occurred in the Order's definition pertaining to milk classifications and pricing.

The new Northeast Order, which is numbered Order No. 1, is the result of federal milk marketing order reform. It merges the New York-New Jersey Milk Marketing Area (Order No. 2) with the New England (Order No. 1) and Middle Atlantic (Order No. 4) Milk Marketing Areas in addition to some formerly unregulated areas of New York, Vermont, New Hampshire, and Massachusetts. This expanding and consolidating of orders has been a continuous process over the years. In 1961, there were 81 federal orders in effect. As of January 1, 2000, there are 11 orders.

New York–New Jersey Milk Marketing Area Selected Statistics

Year	Total milk receipts*	DDP**	No. of producers**	Uniform price**
	pounds			dollars/cwt
1959	10,082.3	552	50,031	4.48
1969	10,332.1	991	28,554	5.66
1979	10,157.0	1,581	17,596	11.74
1989	11,096.8	2,240	13,570	13.10
1999	11,660.7	3,510	9,102	14.00

* In millions.
** Annual average.

The accompanying table shows selected statistics for Order No. 2. As depicted in the table, the number of producers pooled under the order has decreased dramatically (81.8 percent) since 1959. In contrast, total producer milk receipts have increased significantly (15.7 percent) over the years. Correspondingly, daily deliveries per producer (DDP) have risen 535.9 percent over the same time period. The annual average uniform price has increased 212.5 since 1959. ♦

CCC Support Prices Unchanged

The USDA Commodity Credit Corporation (CCC) announced on December 15, 1999, that purchase prices for cheese, butter, and nonfat dry milk bought under the program would remain at their current level.

The CCC support program was to expire on December 31, 1999. It was extended through the calendar year 2000 by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2000.

The support price will remain at $9.90 per hundredweight for milk with an average butterfat content of 3.67 percent. CCC purchase prices remain as follows: Grade A butter, $0.65 per pound; block Cheddar cheese, $1.10 per pound; barrel cheese, $1.07 per pound; and nonfat dry milk, $1.01 per pound.

The Secretary of Agriculture is permitted by the Agricultural Market Transition Act to change the purchase prices twice during the calendar year. He will review the purchase prices for butter and nonfat dry milk periodically throughout the year and adjust them if necessary.

For comparison, as of January 14, 2000, prices on the Chicago Mercantile Exchange were as follows: Grade AA butter, $0.9650 per pound; 40 pound block Cheddar, $1.1250 per pound; and nonfat dry milk (extra grade) $1.03 per pound. The National Agricultural Statistics Service subtracts $0.09 from Grade AA butter to get a comparable Grade A price. ♦

Members Named to Small Farm Advisory Committee

Agriculture Secretary Dan Glickman recently named 19 members to serve on the USDA's Advisory Committee on Small Farms. The committee is authorized for 2 years. It will review USDA programs and strategies to implement small farm policy and advise the Secretary on approaches to improve the department programs.

In the Northeast region, Marion Long Bowlan of Manheim, PA, and Jon W. Anderson of Montpelier, VT, were named. ♦

Price Information *(continued from page 1)*

adjustment is made for the component composition of the producer's milk at the corresponding component values for the month.

Statistical Uniform Price

The monthly pool calculation, which generates the statistical uniform price and the producer price differential (PPD), will be announced by the 13th of the month. Since producers will be paid on the unique pounds of components they produce (butterfat, true protein, and other solids), together with the PPD adjusted to the zone of the plant(s) where their milk is delivered, net pay prices from producer to producer will no longer be as readily comparable. ♦

Determination of Uniform Price of $11.66 for December 1999

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

TOTAL VALUE OF POOLED MILK Class		Milk pounds	Per-cent	Minimum price	Value at minimum price	Trans-portation differential	Total value	Contribution per cwt of receipts
				dollars				
I-A		383,659,501	39.9	13.91	53,367,036.60	108,148.48	53,475,185.08	5.560
I-B		16,138,770	1.7	13.91	2,244,902.91	3,947.98	2,248,850.89	0.234
I I		137,118,771	14.2	11.79	16,166,303.12	15,030.82	16,181,333.94	1.683
I I I		401,639,622	41.8	9.69	38,918,879.31	37,951.26	38,956,830.57	4.050
I I I-A		23,230,154	2.4	10.75	2,497,241.55	3,111.99	2,500,353.54	0.260
Reported receipts		961,786,818	100.0		113,194,363.49	168,190.53	113,362,554.02	11.787
Adjustments:	Product pounds			Dollars*				
Sec. .60(d)(6) I	8,536,539			347,207.31				
Sec. .60(d)(6) II	10,867,717			210,833.70				
Total Sec. .60(d)(2) thru (6)	19,404,256			558,041.01			558,041.01	0.058
Total adjustments	19,404,256			558,041.01				
Total pool milk classified		961,786,818						
Handlers must pay				558,041.01	113,194,363.49	168,190.53	113,920,595.03 **	11.845

COMPUTATION OF UNIFORM PRICE	Milk pounds	Dollars		Dollars per cwt of receipts	
Total value of pooled milk			113,920,595.03		11.845
Less: Cooperative payments	607,547,021	243,018.80		0.025	
Reserve		847,103.37		0.088	
Transportation credit	961,786,818	1,442,680.24	(2,532,802.41)	0.150	(0.263)
Value of pooled milk less subtractions			111,387,792.62		11.582
Add: Freight adjustment to 201-210 mile zone		165,383.97		0.017	
Unreserved cash in producer settlement fund		591,166.39	756,550.36	0.061	0.078
Uniform Price	961,786,818		112,144,342.98		11.660

* Includes transportation and other applicable differentials.

** In addition handlers must pay $2,271,324.63 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.774601 percent. The butterfat differential was $.086 for each one-tenth of one percent of butterfat.

Comparative Price and Other Descriptive Statistics

	DECEMBER 1998	NOVEMBER 1999	DECEMBER 1999
Order No. 2			
Handlers (with producer milk)	31	27	28
Bulk Tank Units	93	75	77
Producers	9,458	8,927	8,891
Daily Deliveries Per Producer (pounds)	3,341	3,398	3,490
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	17.34	9.79	9.63
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.8707	1.2143	1.1319
Butter, Grade A, per lb	1.3231	.9825	.8263
Nonfat dry milk, Central States, per lb	1.1490	1.0343	1.0168
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	17.90	16.13	12.87
Order No. 2, 1-10 mile Zone* (New York City)	18.32	15.39	12.53
Order No. 4, Philadelphia¶	17.41	15.78	12.53
Class I Utilization Percentage			
Order No. 1	46.4	49.4	49.7
Order No. 2	42.9	41.7	41.6
Order No. 4	43.6	48.7	43.1

* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.