



**New York-
New Jersey
Milk Marketing
Area**

The Market Administrator's Bulletin

Ronald C. Pearce, Administrator

One Columbia Circle, Albany, NY 12203-6379

Phone: 518/ 452-4410 Fax: 518/464-6468

WWW: <http://www.fmmone.com>

E-mail: MAGeneric.Albany@usda.gov

Federal Order No. 2

Volume 59

June

1999

Federal Order Reform Update

Dairy Farmer Referendum Underway

USDA issued a referendum order on the final decision for Federal Milk Marketing Order Reform on July 14, 1999. Normally, this action occurs at the same time that the final decision is issued. The final decision was published in the *Federal Register* on April 2, 1999.

A referendum is being conducted to determine approval of the proposed Northeast marketing order. Dairy farmers who shipped milk to handlers that would have been regulated under the proposed order during March 1999 are eligible to vote. **Completed ballots must be postmarked no later than August 6, 1999, to be counted.** Approval of the proposed order requires a yes vote from at least two-thirds of producers casting ballots.

Voter ballots will be mailed to all eligible non-member dairy farmers and to all members of dairy cooperatives who have indicated their desire to vote by individual ballot. Qualified cooperative associations will be permitted to cast bloc votes on behalf of all their members. A summary of the provisions of the proposed order is being mailed with the ballot.

Dairy farmers who have not received a ballot in the mail by July 26 and think that they are eligible to vote should call the USDA Referendum Agent at (617) 542-8966.

Final Decision Corrected

On July 8, 1999, USDA issued corrections to the final decision on Federal Milk Marketing Order Reform. The corrections do not change the conclusions contained in the final decision and do not substantively alter the regulatory provisions. Details were published in the July 14, 1999, *Federal Register*. ♦

Approval for Cooperative Payments

Scenic Mountain Milk Producers Cooperative Inc. (Scenic) is qualified as an affiliated cooperative of Dairylea Cooperative Inc. (Dairylea), effective June 1, 1999. Dairylea's designation to receive cooperative payments pursuant to Section 1002.77 of the Order has been modified to include the production of the members of Scenic. ♦

June 1999 Pool Highlights

- The June 1999 uniform price equaled **\$12.41** per hundredweight, an increase of \$0.17 from last month and down \$1.00 from June 1998.
- Class I and II prices were \$0.20 below last year's. The Class III price was \$1.68 below and the Class III-A price was \$2.09 lower than 1998's.
- Producer milk receipts totaled 994.8 million pounds, a decrease of 1.5 percent from last year.
- Class I usage totaled 361.8 million pounds, down 5.0 percent from the previous year.
- Daily deliveries per producer (DDP) equaled 3,668 pounds. This was a year-to-year increase of 219 pounds (6.3 percent). ♦

Order No. 2 Prices and Utilization for June

	1998	1999	Percent change
Prices*			
	dollars per cwt		
Uniform	13.41	12.41	(7.5)
Class I	14.43	14.23	(1.4)
Class II	12.31	12.11	(1.6)
Class III	12.99	11.31	(12.9)
Class III-A	15.27	13.18	(13.7)
Utilization			
	million pounds		
Class I	380.9	361.8	(5.0)
Class II	152.3	170.7	12.0
Class III	452.4	443.9	(1.9)
Class III-A	24.7	18.4	(25.3)
Producer Receipts	1,010.3	994.8	(1.5)

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

U.P. Forecasted to Increase

The uniform price **forecast** for **July 1999** is **\$13.03** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

Plant-Point Pricing in the Proposed Northeast Order

Under the new regulations presented in the final decision on Federal Milk Marketing Order Reform, producers in the consolidated Northeast order will be paid on a *plant-point* pricing basis. For producers associated with Order No. 2, plant-point pricing will be a change from the present pricing method. Currently, producers pooled under Order No. 2 are paid on a *farm-point* pricing basis where the location of a farm's milkhouse is the pricing point. The township in which a farm's milkhouse is located determines the zone of the farm and the amount of adjustment (positive or negative) to the announced marketwide uniform price to arrive at an adjusted uniform price for a respective farm. Under plant-point pricing, the location of the plant where a producer's milk is shipped becomes the pricing point. This means that milk is priced FOB the plant of first receipt, and the charge for transporting milk from farm to plant may become a significant negotiating issue between a producer and a milk buyer. Order No. 2 is the only federal order that now operates under a farm-point pricing system.

Pricing Differences

Farm-point pricing regulations utilize the marketwide pool to cover some of the costs of hauling for producers. Currently, a deduction of 15 cents per hundredweight is made from the pool prior to calculating the Order No. 2 uniform price. This deduction, known as the "transportation credit," is credited to the buyers (handlers) of milk and has the effect of reducing all producers' blend prices by 15 cents per hundredweight. The credit does, however, offset 15 cents of hauling costs that might otherwise be directly charged to producers. Under the consolidated Northeast order and plant-point pricing, the transportation credit will be eliminated.

Zone Adjustments

While there will no longer be a zone adjustment for producers based on the location of a farm's

milkhouse, producers will receive an adjustment in their net pay price based on the zone of the plant(s) receiving their milk. Suffolk County, Massachusetts (Boston area), will be the base county or highest zone for the consolidated Northeast order. Plant zone values will radiate out by county and decrease as you move away from Suffolk County, MA. This means, for example, that a producer located in Onondaga County, NY (Syracuse area), shipping milk to Suffolk County, MA (Boston area), would receive a higher plant zone adjustment than another producer also located in Onondaga County, NY, but shipping milk to an Albany County, NY (Albany area), plant. In this case, the plant zone adjustment for a producer shipping to the Suffolk County destination would be 60 cents per hundredweight greater than the plant zone adjustment for a producer shipping to Albany County. A counterweight to the higher zone price is that a producer's hauling charges would likely be higher transporting milk to a Boston area destination than to the closer Albany location. In general, under plant-point pricing shipping milk to plants located relatively closer to Suffolk County, MA, will result in a higher plant zone adjustment, but depending on the location of the farm, higher hauling charges may be incurred moving milk a greater distance. Producers shipping milk to a nearby plant(s) that may be a considerable distance from Suffolk County, MA, will receive a lower plant zone adjusted price, but also should incur lower hauling charges.

Order No. 2 provisions allow proprietary handlers to charge producers for their actual costs of hauling milk minus the 15-cent transportation credit and minus the change in the zone value moving milk from a country zone to a zone closer to metropolitan New York. This office audits the hauling records of proprietary handlers to verify that handlers are not overcharging hauling amounts. ♦

U.S. Milk Production, Disposition, and Income Summarized

Cash receipts from U.S. marketings of milk during 1998 totaled \$24.3 billion, an increase of 16 percent from 1997. Producer returns averaged \$15.57 per hundredweight, 15 percent higher than the previous year. Milk marketings totaled 156 billion pounds, 1 percent above 1997. These figures are all from USDA's recently released *Milk Production, Disposition, and Income 1998 Summary*.

Of total U.S. milk production, 59.1 percent was used in manufactured products; 35.7 percent in fluid products; 0.9 percent by producers on their own farms; and the remainder was assigned to balancing inaccuracies

in utilization estimates such as milk equivalent conversions.

On a milk value basis, California accounted for 17.6 percent of the total milk marketings in 1998. Wisconsin was second with 14.4 percent followed by New York with 7.4 percent. These equate to an average per hundredweight price of \$15.01 in California, \$15.50 in Wisconsin, and \$15.40 in New York for milk sold to plants and dealers in 1998. Compared to 1997, California's average value was \$2.39 higher per hundredweight; Wisconsin was up \$2.17 and New York was \$2.00 higher. ♦

Mid-Year Update: Milk Receipts Decline, Prices Rise

For the first 6 months of 1999, total producer milk receipts under Order No. 2 were 2.3 percent lower than during the same period in 1998. Coming off of a high year-end, Class I and II prices have averaged higher than those in the first 6 months of 1998, while Class III and III-A prices have been below. The blend price averaged 3.0 percent higher than last year for the 6-month period. The accompanying table compares receipts and prices for the first 6 months of 1998 and 1999.

Due in part to pooling changes, producer numbers have declined 8.2 percent on average compared to 1998. At mid-year, the total number of producers was 724 less than last year. Year-to-year increases in daily deliveries per producer (DDP) have been greater than 6.0 percent for each month in 1999 (except April which was 5.6 percent) averaging 6.4 percent for the 6-month period. Even though DDP gains have been substantial, the decline in producers has resulted in lower overall milk receipts.

Class I usage averaged 1.0 percent less during the first half of 1999, but due to the larger decline in total milk receipts, Class I utilization increased 0.5 percentage points. Class II and III utilization remained constant while Class III-A usage dropped 0.6 percentage points.

Class I and II prices were strong during the first quarter of 1999. In February, the basic formula price dropped a record \$6.00 per hundredweight. This impacted April Class I and II prices. Blend prices were 13.5 percent higher during the first quarter compared

Order No. 2 Pool Statistics, January–June 1998–99

Pool Statistic	1998	1999	1998–99
	million pounds		Change *
			percent
Class I	2,385.8	2,362.9	(1.0)
Class II	914.3	900.2	(1.5)
Class III	2,606.4	2,545.2	(2.3)
Class III-A	202.4	158.5	(21.7)
Total Receipts	6,108.9	5,966.9	(2.3)
	pounds		
DDP	3,352	3,565	6.4
	utilization percentage		change
Class I	39.1	39.6	0.5
Class II	15.0	15.1	0.1
Class III	42.7	42.6	(0.1)
Class III-A	3.3	2.7	(0.6)
	dollars/cwt		percent
Class I	15.36	16.45	7.1
Class II	13.24	14.33	8.2
Class III	12.51	12.06	(3.6)
Class III-A	13.25	12.32	(7.0)
Uniform	13.61	14.02	3.0

* Calculated using more detailed data than shown in table.

to 1998, but during the second quarter, they were 8.1 percent lower. Overall, due to the strong first quarter, blend prices still averaged higher than during the same period in 1998. ♦

Loss Payments Issued

Payments from the \$200 million Dairy Market Loss Assistance Program began June 16 and were to be completed by June 30. Under this program, the Commodity Credit Corporation made payments to dairy farmers, who are suffering from record low milk prices, based on their 1997 or 1998 milk production, whichever was higher. Payments were limited to the first 26,000 hundredweight of production in the selected year so as to not dilute the assistance available to smaller dairy farmers, who may be in the most need of assistance, and to spread the payments more equitably among all dairy operations. The payment rate was 22.47897 cents per hundredweight.

Nationally, a total of 76,771 farms received payments. Of those, 9,976 had production exceeding the 26,000 hundredweight. Total pounds paid on equaled 889,720,116 hundredweight for an average of 11,589 hundredweight per farm. Total pounds reported equaled 1,595,842,787 hundredweight.

In New York, 6,976 farms received an average payment of \$2,641.66. Pennsylvania reported that 6,245 farms received average payments of \$2,442.20;

New Jersey had 182 farms with average payments of \$2,730.31. Nationally, the average payment per farm equaled \$2,605.15.

For additional information, see the February issue of the *Bulletin*. ♦

USDA Appointments Announced

On June 25, 1999, Agriculture Secretary Dan Glickman announced two new appointments. He promoted Enrique Esquivel Figueroa to Deputy Under Secretary of Agriculture for Marketing and Regulatory Programs. Figueroa's experience will aid in seeking new ways to expand marketing opportunities, both at home and abroad, for agricultural producers.

Kathleen Ann Merrigan, replacing Figueroa, was named as Administrator of the Agricultural Marketing Service with responsibility for facilitating the strategic marketing of agricultural products in domestic and international markets. Merrigan had been a senior analyst with the Henry A. Wallace Institute for Alternative Agriculture since 1994. ♦

Determination of Uniform Price of \$12.41 for June 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	Transportation differential	Total value	Contribution per cwt of receipts
dollars							
I-A	347,625,347	35.0	14.23	49,467,086.87	123,222.11	49,590,308.98	4.985
I-B	14,222,610	1.4	14.23	2,023,877.39	2,677.68	2,026,555.07	0.204
II	170,664,347	17.2	12.11	20,667,452.43	20,020.71	20,687,473.14	2.080
III	443,884,829	44.6	11.31	50,203,374.17	39,627.15	50,243,001.32	5.049
III-A	<u>18,403,148</u>	<u>1.8</u>	13.18	<u>2,425,534.91</u>	<u>2,288.91</u>	<u>2,427,823.82</u>	<u>0.245</u>
Reported receipts	994,800,281	100.0		124,787,325.77	187,836.56	124,975,162.33	12.563
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(1) III	4,086		231.88				
Total Sec. .60(d)(1)	4,086	4,086	231.88			231.88	0.000#
Sec. .60(d)(6) I	2,543,118		78,606.01				
Sec. .60(d)(6) II	6,002,977		58,228.88				
Total Sec. .60(d)(2) thru (6)	8,546,095		136,834.89			136,834.89	0.014
Total adjustments	8,550,181		137,066.77				
Total pool milk classified	994,804,367						
Handlers must pay			137,066.77	124,787,325.77	187,836.56	125,112,229.10	** 12.577

COMPUTATION OF UNIFORM PRICE			
	<u>Milk pounds</u>	<u>Dollars</u>	<u>Dollars per cwt of receipts</u>
Total value of pooled milk		125,112,229.10	12.577
Less: Cooperative payments	645,913,094	258,365.24	0.026
Reserve		876,326.48	0.088
Transportation credit	994,800,281	1,492,200.40	<u>0.150</u>
Value of pooled milk less subtractions		122,485,336.98	12.313
Add: Freight adjustment to 201-210 mile zone		191,834.83	0.019
Unreserved cash in producer settlement fund		<u>777,543.06</u>	<u>0.078</u>
Uniform Price	994,800,281	123,454,714.87	12.410

* Includes transportation and other applicable differentials.

Results from rounding.

** In addition handlers must pay \$547,593.79 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.534190 percent. The butterfat differential was \$.161 for each one-tenth of one percent of butterfat.

Comparative Price and Other Descriptive Statistics

	JUNE 1998	MAY 1999	JUNE 1999
Order No. 2			
Handlers (with producer milk)	32	29	29
Bulk Tank Units	94	91	91
Producers	9,764	9,167	9,040
Daily Deliveries Per Producer (pounds)	3,449	3,727	3,668
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	13.10	11.26	11.42
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.4038	1.2661	1.2747
Butter, Grade A, per lb	1.8468	1.0389	1.4031
Nonfat dry milk, Central States, per lb	1.0289	1.0228	1.0139
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	14.40	13.14	13.51
Order No. 2, 1-10 mile Zone* (New York City)	14.28	13.11	13.28
Order No. 4, Philadelphia¶	14.18	12.70	13.29
Class I Utilization Percentage			
Order No. 1	42.9	41.9	41.9
Order No. 2	37.7	38.3	36.4
Order No. 4	39.6	34.5	36.6

* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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, and 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, Jamie L. Whitten Building, 14th and Independence Avenue, SW., Washington, D.C. 20250-9410 or call 202/720-5964 (voice or TDD). USDA is an Equal Opportunity provider and employer.