

# Bulletin

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Federal Order No. 2

New York–  
New Jersey  
Milk Marketing  
Area

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## Federal Order Reform Update

### Listening Session Held

Over 100 people attended the regional USDA listening session held in Liverpool (Syracuse), NY, on March 30, 1998. Comments on USDA's Proposed Rule for federal milk market order reform were received from 51 people.

Richard M. McKee, Deputy Administrator, Dairy Programs, represented USDA at the Liverpool listening session. Input gathered at the regional listening sessions will be reviewed by USDA. A Final Rule containing detailed provisions for each suggested federal milk marketing order will be issued. Producers will vote on each federal order and if approved, orders will become effective no later than April 4, 1999.

### Food and Nutrition Impact Analysis Issued

USDA's Food and Nutrition Service (FNS) has issued a *Report on the Impacts of the Federal Milk Marketing Order Reform Proposals on Food and Nutrition Service Programs, Participants, and Administering Institutions*. The report analyzes potential impacts on the Food Stamp Program; the Women, Infants, and Children Program (WIC); and the National School Lunch and Breakfast Programs.

A copy of the report can be obtained from Dairy Programs, USDA/AMS, Room 2968, South Building, P.O. Box 96456, Washington, DC 20090-6456, or from any Market Administrator office. ♦

## 1st Quarter Deliveries and Prices Increase

Total producer deliveries for the first 3 months of 1998 were 5.6 percent higher than during the same period in 1997. Prices also were up for the January through March period with the blend price averaging 9.5 percent higher than during the first quarter last year. The table on page 3 shows a comparison, by class, for the first 3 months of 1997 and 1998.

### Receipts Rise

The increase in producer deliveries was the result of a combination of factors. The total number of producers pooled under Order No. 2 during the first quarter averaged (continued on page 3)

## March 1998 Pool Highlights

- The March 1998 uniform price equaled **\$13.89**, a decrease of \$0.30 from last month and an increase of \$0.87 from last year.
- All class prices were above last year's except the Class III-A price. Class III-A pricing lowered the March uniform price by \$0.01.
- Producer receipts totaled 1,052.8 million pounds, an increase of 5.5 percent from last year.
- Class I receipts totaled 423.3 million pounds, an increase of 8.0 percent from last year. This was the highest Class I total for the month of March since 1973.
- Daily deliveries per producer (DDP) equaled 3,326 pounds, a year-to-year increase of 5.3 percent. ♦

## Order No. 2 Prices and Utilization for March

|                        | 1997             | 1998    | Per cent change |
|------------------------|------------------|---------|-----------------|
| <b>Prices*</b>         |                  |         |                 |
|                        | doll ars per cwt |         |                 |
| Unif or m              | 13.02            | 13.89   | 6.7             |
| Cl ass I               | 14.36            | 15.67   | 9.1             |
| Cl ass II              | 12.24            | 13.55   | 10.7            |
| Cl ass III             | 12.44            | 12.76   | 2.6             |
| Cl ass III-A           | 12.73            | 12.62   | (0.9)           |
| <b>Ut il iz at ion</b> |                  |         |                 |
|                        | million pounds   |         |                 |
| Cl ass I               | 392.0            | 423.3   | 8.0             |
| Cl ass II              | 160.7            | 166.9   | 3.9             |
| Cl ass III             | 415.9            | 426.8   | 2.6             |
| Cl ass III-A           | 29.7             | 35.8    | 20.4            |
| Pr odu cer Re ce ip ts | 998.3            | 1,052.8 | 5.5             |

\* For bulk milk testing 3.5 per cent butterfat in the 201-210 mil e zone.

## U.P. Forecasted to Decrease

The uniform price forecast for **April 1998** is **\$13.63** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## Cheese and Butter Prices Higher During the First Quarter

Wholesale prices for 40-pound blocks of Cheddar cheese sold on the Chicago Mercantile Exchange (CME) averaged over 10 cents per pound higher during the first quarter of 1998 than comparable prices on the National Cheese Exchange (NCE) during the first quarter of 1997. The National Agricultural Statistics Service (NASS) survey price of 40-pound blocks of Cheddar, used in the calculation of the basic formula price (BFP), averaged slightly less than 10 cents per pound higher than NCE prices during the same period. The NCE closed in late April 1997 when wholesale Cheddar cheese trading moved to the CME. The USDA began using the NASS cheese price survey in the calculation of the BFP at that time.

The accompanying chart presents weekly CME and NASS cheese prices for the first quarter of 1998, and weekly NCE prices for the comparable January through March period in 1997.

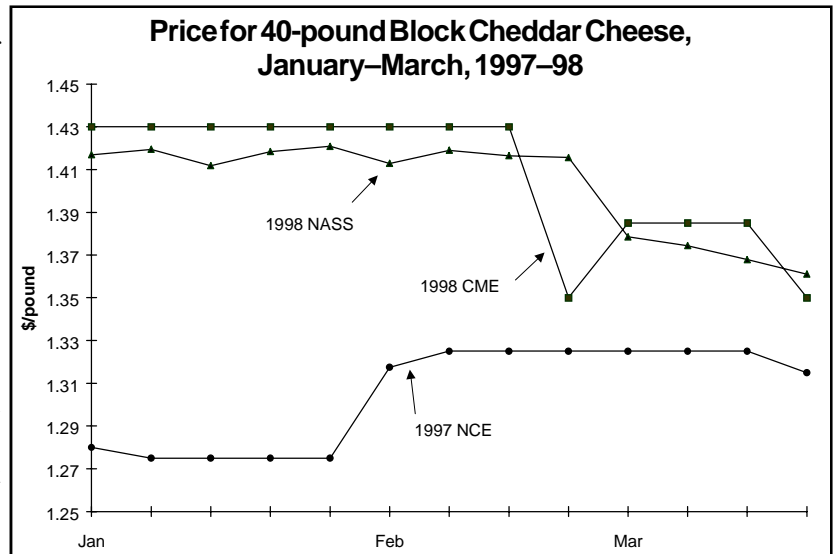
### Cheese Prices Decline

As of April 17, both the CME and NASS cheese prices have weakened, with the CME 40-pound block price dropping by 5 cents per pound on both April 9 and April 16. The NASS survey price also declined with block prices reported at \$1.3331 per pound on April 16, a drop of 2.8 cents since the beginning of April.

### Butter Prices Averaged Higher

Wholesales prices of Grade AA and A butter on the CME were considerably higher during the first quarter of 1998 than the first quarter of 1997. Both grades averaged nearly 26 cents per pound higher than their respective prices for the same period of 1997.

Unlike Cheddar prices, butter prices on the CME have held in recent weeks with Grade AA holding at \$1.3450 per pound and Grade A increasing slightly to \$1.2525 per pound on April 17. Both the AA and A butter prices have remained within 1 cent of their respective prices since February 27. ♦



## In-Area Sales Decline Despite Growth in Skim and Flavored Products

Total packaged fluid milk sales in the New York–New Jersey milk marketing area declined 1.4 percent in 1997. This follows a 0.5 percent drop the previous year (see accompanying table). Sales of skim products and flavored milk and drinks experienced increases from 1996, but at a lower rate than last year. All comparisons have been adjusted for the 1996 leap year.

Sales of whole and 2% lowfat milk dropped at a greater rate than in 1996. Sales of 1% lowfat milk also declined, but at a lower rate than the previous year. Sales of the higher fat products have been declining steadily for the past few years.

More evidence of this trend was shown by the increase in skim and flavored sales. Even though the flavored category includes higher fat products such as chocolate whole milk, the butterfat test for total flavored milk and drinks averaged 1.8 percent for the year, emphasizing a higher proportion of lower fat products. Flavored milk and drinks had a 1.89 percent butterfat test in 1996. The rate of increase in skim sales was not as large as in 1996, but for the first time, total skim sales surpassed sales of 1% lowfat milk.

On a per capita basis, sales of packaged fluid

milk products in the marketing area declined 1.6 percent in 1997, following a drop of 0.7 percent the previous year. Per capita sales totaled 204.3 pounds in 1997, down from 208.2 pounds in 1996 and 209.0 pounds in 1995. Whole milk and 2% lowfat milk had per capita decreases of 2.8 and 2.9 percent, respectively, in 1997; 1% lowfat dropped 0.8 percent on a per capita basis. Per capita skim sales grew 3.3 percent, and flavored milk and drinks increased 0.9 percent in 1997. The U.S. Bureau of the Census provided population estimates. ♦

### Sales of Packaged Fluid Milk Products in the NY–NJ Marketing Area, 1995–97

|                        | 1995           | 1996           | 1997           | Year-to-year change* |              |
|------------------------|----------------|----------------|----------------|----------------------|--------------|
|                        |                |                |                | 1995–96              | 1996–97      |
|                        | million pounds |                |                | percent*             |              |
| Milk                   | 2,231.9        | 2,207.6        | 2,143.2        | (1.4)                | (2.6)        |
| Low test 2% milk       | 800.1          | 783.5          | 760.2          | (2.3)                | (2.7)        |
| Low test 1% milk       | 596.2          | 586.6          | 581.5          | (1.9)                | (0.6)        |
| Skim milk              | 547.9          | 581.8          | 600.5          | 5.9                  | 3.5          |
| Flavored milk & drinks | 162.9          | 167.9          | 169.2          | 2.8                  | 1.1          |
| Buttermilk             | 15.0           | 14.5           | 14.5           | (3.7)                | 0.1          |
| <b>Total</b>           | <b>4,354.0</b> | <b>4,341.9</b> | <b>4,269.2</b> | <b>(0.5)</b>         | <b>(1.4)</b> |

\* Adjusted for leap year.

## NY Milk Promotion Report Released

The New York Milk Promotion Advisory Board (MPAB) has released their annual report *To New York State Dairy Farmers on Programs and Activities under the New York Dairy Promotion Order*. The report summarizes milk promotion efforts and expenditures during the 1996–97 marketing year that ended April 30, 1997. Funding for the New York Milk Promotion Order is mainly from an assessment on a farm's milk production. Of the total \$0.15 cents per cwt collected, \$0.10 cents per cwt is used in local promotion programs, the remainder is used by the National Dairy Promotion and Research Program.

Income from producer assessments totaled nearly \$11.5 million for the marketing year, down about 2.5 percent from the previous marketing year due to lower milk production. Of this total, nearly \$2.7 million was used for milk promotion programs in the Western New York Marketing Order and in neighboring states where milk produced by NY farmers is sold. A breakdown of the remaining funds and expenditures is given in the following table.

The MPAB continued its contract with American Dairy Association and Dairy Council, Inc. (ADADC) for media advertising, sales promotion, nutrition education, and public relations activities designed to increase the sales of milk and dairy products. Of total media advertising expenditures, over 99 percent were used to promote fluid milk products with advertising spending most heavily concentrated in the New York Metropolitan area, the largest market in the state.

Promotion Order funds support numerous nutrition education programs designed to increase the consumption of dairy products while emphasizing the nutritional benefits of milk and milk products. In addition, the MPAB supports dairy related research initiatives at Cornell University and the Northeast Dairy Foods Research Center. This research includes studies on the effectiveness of milk promotion activities as well as research related to milk quality and milk composition. The promotion report describes the results of many of these research initiatives.

### NY Dairy Promotion Income and Expense for the 1996–97 Marketing Year

|  | thousands |
|--|-----------|
| Total Income Available*                      | \$9,683   |
| Expenses:                                    |           |
| Advertising & Sales Promotion                | \$5,748   |
| Publicity, Information & Supporting Services | 1,301     |
| Nutrition Education                          | 1,065     |
| Cornell University Research                  | 606       |
| National Program Support & Promotion         | 284       |
| Administration                               | 203       |
| Total Expenses                               | \$9,207   |
| Carryover                                    | \$476     |

\* Includes interest income and carryover from 1995–96 marketing year.

Copies of the report may be obtained by contacting: Edward J. Johnston, Jr., New York State Department of Agriculture and Markets, Division of Dairy Industry Services and Producer Security, 1 Winners Circle, Albany, NY 12235. ♦

### 1st Quarter Deliveries (continued from page 1)

slightly above last year. This is mainly due to pooling changes rather than an indication of new start-ups in producers. Daily deliveries per producer (DDP) have been strong, averaging 5.6 percent above the same period in 1997. Favorable weather and good quality feed have contributed to this increase.

### Usage by Class

All classes of usage have shown increases from last year. Milk used for Class I purposes increased 6.3 percent during the January–March period; Class I utilization grew 0.3 percentage points. Class II and III usage increased, but their corresponding utilizations decreased. Milk used in Class III-A increased 34.3 percent, but accounted for only 3.6 percent of total utilization under the order.

### Higher Prices

The 1997 year-end prices finished fairly strong, giving 1998 a healthy start. All class prices averaged higher during the first quarter of 1998 than during the previous year. Both Class I and II prices were up \$1.54 on average; the Class III price averaged \$0.83 higher; and the Class III-A price increased \$0.32 from the same period in 1997. The average blend price for the first 3 months was \$1.22 (9.5 percent) higher than last year's. ♦

### Order No. 2 Pool Statistics, January–March, 1997–98

| Pool statistic    | 1997                   | 1998    | 1997–98        |
|-------------------|------------------------|---------|----------------|
|                   | million pounds         |         | Change percent |
| Class I           | 1,145.6                | 1,217.7 | 6.3            |
| Class II          | 448.5                  | 452.4   | 0.9            |
| Class III         | 1,166.8                | 1,221.6 | 4.7            |
| Class III-A       | 79.8                   | 107.1   | 34.3           |
| Total Deliveries* | 2,840.8                | 2,998.8 | 5.6            |
|                   | pounds                 |         |                |
| DDP               | 3,080                  | 3,254   | 5.6            |
|                   | utilization percentage |         | change         |
| Class I           | 40.3                   | 40.6    | 0.3            |
| Class II          | 15.8                   | 15.1    | (0.7)          |
| Class III         | 41.1                   | 40.7    | (0.4)          |
| Class III-A       | 2.8                    | 3.6     | 0.8            |
|                   | dollars/cwt            |         | percent        |
| Class I           | 14.05                  | 15.59   | 10.9           |
| Class II          | 11.93                  | 13.47   | 12.9           |
| Class III         | 12.30                  | 13.13   | 6.7            |
| Class III-A       | 12.21                  | 12.53   | 2.6            |
| Uniform           | 12.79                  | 14.01   | 9.5            |

\* May not add due to rounding.

## Determination of Uniform Price of \$13.89

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

### March 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  | 406,143,387           | 38.6       | 15.67             | 63,642,668.72         | 131,624.06             | 63,774,292.78       | 6.058               |
| I-B  | 17,194,970            | 1.6        | 15.67             | 2,694,451.82          | 2,896.91               | 2,697,348.73        | 0.256               |
| II   | 166,919,334           | 15.9       | 13.55             | 22,617,569.80         | 20,199.21              | 22,637,769.01       | 2.151               |
| III  | 426,783,724           | 40.5       | 12.76             | 54,457,603.21         | 46,970.50              | 54,504,573.71       | 5.176               |
| III-A  | <u>35,763,830</u>     | <u>3.4</u> | 12.62             | <u>4,513,395.34</u>   | <u>8,047.94</u>        | <u>4,521,443.28</u> | <u>0.430</u>        |
| Reported receipts                            | 1,052,805,245         | 100.0      |                   | 147,925,688.89        | 209,738.62             | 148,135,427.51      | 14.071              |
| Adjustments:                                 | <u>Product pounds</u> |            | <u>Dollars*</u>   |                       |                        |                     |                     |
| Sec. .60(d)(6) I                             | 1,321,233             |            | 30,784.73         |                       |                        |                     |                     |
| Sec. .60(d)(6) II                            | 4,686,433             |            | 9,841.52          |                       |                        |                     |                     |
| Total Sec. .60(d)(2) thru (6)                | 6,007,666             |            | 40,626.25         |                       |                        | 40,626.25           | 0.003               |
| Total adjustments                            | 6,007,666             |            | 40,626.25         |                       |                        |                     |                     |
| Total pool milk classified                   | 1,052,805,245         |            |                   |                       |                        |                     |                     |
| Handlers must pay                            |                       |            | 40,626.25         | 147,925,688.89        | 209,738.62             | 148,176,053.76 **   | 14.074              |
| <b>COMPUTATION OF UNIFORM PRICE</b>          |                       |            |                   |                       |                        |                     | Dollars per cwt     |
|  | <u>Milk pounds</u>    |            | <u>Dollars</u>    |                       |                        | <u>of receipts</u>  |                     |
| Total value of pooled milk                   |                       |            |                   | 148,176,053.76        |                        |                     | 14.074              |
| Less: Cooperative payments                   | 687,602,944           |            | 275,041.17        |                       |                        | 0.026               |                     |
| Reserve                                      |                       |            | 856,601.60        |                       |                        | 0.081               |                     |
| Transportation credit                        | 1,052,805,245         |            | 1,579,207.88      | <u>(2,710,850.65)</u> |                        | <u>0.150</u>        | <u>(0.257)</u>      |
| Value of pooled milk less subtractions       |                       |            |                   | 145,465,203.11        |                        |                     | 13.817              |
| Add: Freight adjustment to 201-210 mile zone |                       |            | 17,819.38         |                       |                        | 0.002               |                     |
| Unreserved cash in producer settlement fund  |                       |            | <u>751,626.04</u> | <u>769,445.42</u>     |                        | <u>0.071</u>        | <u>0.073</u>        |
| Uniform Price                                | 1,052,805,245         |            |                   | 146,234,648.53        |                        |                     | 13.890              |

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$3,246,081.85 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.728391 percent. The butterfat differential was \$.135 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

|  | MARCH 1997 | FEBRUARY 1998 | MARCH 1998 |
|--|------------|---------------|------------|
| Order No. 2                                      |            |               |            |
| Handlers (with producer milk)                    | 39         | 36            | 32         |
| Bulk Tank Units                                  | 107        | 95            | 94         |
| Producers  | 10,188     | 10,212        | 10,211     |
| Daily Deliveries Per Producer (pounds)           | 3,150      | 3,267         | 3,326      |
| Price Factors, Monthly Averages (dollars)        |            |               |            |
| Basic Formula Price, 3.5% butterfat, per cwt     | 12.49      | 13.32         | 12.81      |
| Cheddar Cheese, 40-lb blocks, per lb #           | 1.3234     | 1.4163        | 1.3793     |
| Butter, Grade A, 92-Score, Chicago Mercantile    | 1.0581     | 1.2963        | 1.2505     |
| Exchange, per lb                                 |            |               |            |
| Nonfat dry milk, Central States, per lb          | 1.1578     | 1.0521        | 1.0467     |
| Uniform Prices (dollars per cwt, 3.5% butterfat) |            |               |            |
| Order No. 1, Zone 1 (Boston)                     | 13.98      | 15.02         | 14.82      |
| Order No. 2, 1-10 mile Zone* (New York City)     | 13.89      | 15.06         | 14.76      |
| Order No. 4, Philadelphia†                       | 13.67      | 14.70         | 14.44      |
| Class I Utilization Percentage                   |            |               |            |
| Order No. 1                                      | 47.9       | 44.9          | 45.2       |
| Order No. 2                                      | 39.2       | 40.4          | 40.2       |
| Order No. 4                                      | 41.7       | 42.0          | 40.7       |

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

\* Includes 15-cent transportation credit.

† Includes 6-cent direct-delivery differential.