

Bulletin

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New York–
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Milk Marketing
Area

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BFP Price Floor Petition Denied

On June 10, 1998, Agriculture Secretary Dan Glickman announced that the petition to floor the level of the basic formula price (BFP) has been denied. This decision follows a hearing, held by USDA on February 17–20 in Washington, D.C., to establish a floor price for the BFP of \$13.50 per hundredweight for Class I and Class II milk (see January *Bulletin*). Such an action, if adopted, would have prevented the BFP (used for Class I and Class II prices) from dropping below a specified level, regardless of market conditions.

Evidence Doesn't Support Action

In denying the petition Secretary Glickman stated that, while dairy farmers continue to undergo significant stress, neither the requirements of federal law nor the evidence obtained at the February hearing justified establishing a price floor. The law allows USDA to take such action only when necessary to ensure an adequate supply of fluid milk. Neither the hearing record or USDA's analysis supported the conclusion that there was an inadequate supply of fluid milk available to consumers. In addition, the price floor would have unequal effects in different regions of the country, even for farms of similar size, because of different Class I milk utilization rates across the country. As a result, those that would benefit the most from a price floor would not necessarily be the farms that have the greatest financial need for such assistance.

Copies of the decision may be obtained from this office or from USDA Dairy Programs, P.O. Box 96456, Rm. 2641-S, Washington, D.C. 20090-6456. The decision is also available on the Agricultural Marketing Service home page at <http://www.ams.usda.gov/dairy>. ♦

DFA to Receive Cooperative Payments

Dairy Farmers of America, Inc. (DFA) has been qualified to receive cooperative payments for the performance of marketwide services in Order No. 2. As the successor cooperative to Milk Marketing Inc., DFA has been approved to receive cooperative payments on the Order No. 2 production of DFA members and on the production of cooperatives formerly affiliated with MMI who transferred their affiliation to DFA. ♦

May 1998 Pool Highlights

- The May 1998 uniform price equaled **\$12.73**, a decrease of \$0.77 from last month and an increase of \$0.28 from last year.
- All class prices were above last year's. Class III-A pricing added \$0.07 to the May uniform price even though Class III-A pounds were only 2.7 percent of the pool.
- Producer receipts totaled 1,065.8 million pounds, an increase of 2.9 percent from last year.
- Class I receipts totaled 399.1 million pounds, an increase of 4.0 percent from last year.
- Daily deliveries per producer (DDP) equaled 3,486 pounds, a year-to-year increase of 5.4 percent and a new record for Order No. 2. ♦

Order No. 2 Prices and Utilization for May

	1997	1998	Percent change
Prices*	dollars per cwt		
Uniform	12.45	12.73	2.2
Class I	14.91	15.23	2.1
Class II	12.79	13.11	2.5
Class III	10.58	10.76	1.7
Class III-A	11.44	13.84	21.0
Utilization	million pounds		
Class I	383.6	399.1	4.0
Class II	167.1	154.1	(7.8)
Class III	447.4	484.2	8.2
Class III-A	37.1	28.5	(23.2)
Producer Receipts#	1,035.3	1,065.8	2.9

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

Totals do not add due to rounding.

U.P. Forecasted to Increase

The uniform price forecast for **June 1998** is **\$13.30** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

U.S. Milk Production Trends

This article discusses recent milk production trends in three areas of the country: California; the combined states of Minnesota and Wisconsin (Upper Midwest); and the combined states of New York, Pennsylvania, and Vermont (Northeast). All data is from USDA National Agricultural Statistics Service's *Milk Production* reports

California leads the nation in milk production as a state. Combined milk production in Minnesota and Wisconsin during 1997, however, was about 14 percent greater than California. Combined regional production in New York, Pennsylvania, and Vermont during 1997 represented about 90 percent of California's production.

The accompanying chart shows regional trends in milk production on a 12-month moving average basis. For example, the value shown for December 1997 represents the average monthly milk production levels during the 12 months of January 1997 through December 1997.

Average production levels during 1995 and 1996 were

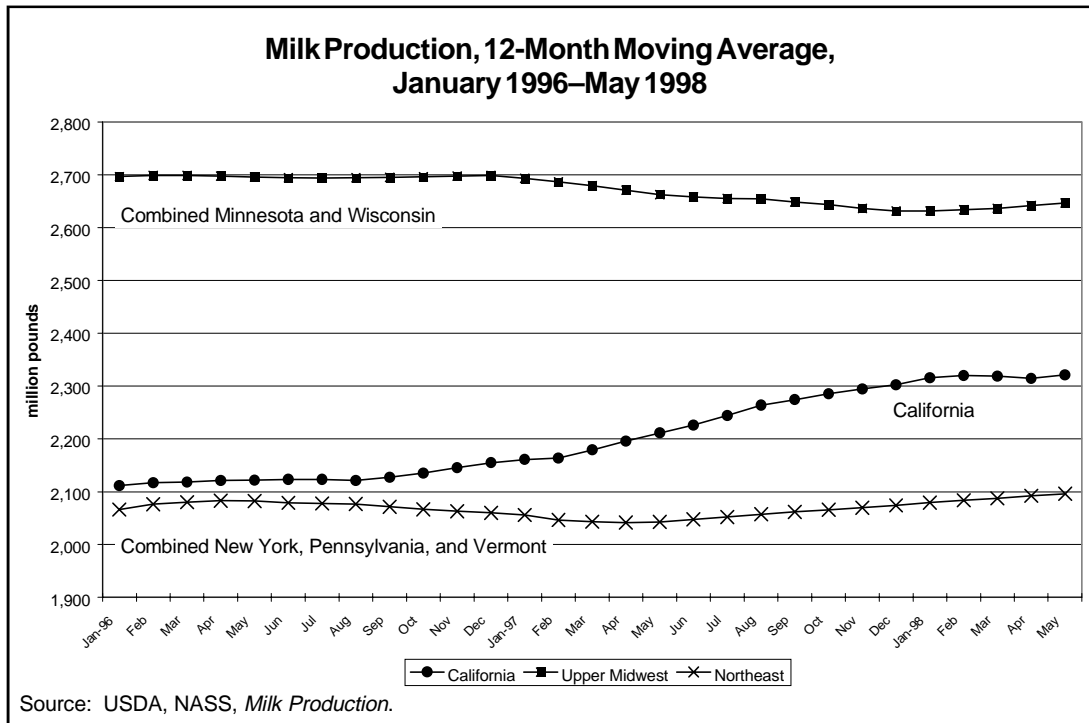
relatively stable for each of the regions. As 1997 and 1998 data are added, the moving average calculation patterns emerge. Production in California can be seen rising rapidly while the Upper Midwest area declines and the Northeast region exhibits a recovery in production.

Despite the strong year-over-year increases in California during 1997, production during March and April 1998 decreased. Comparing August 1996 to August 1997, California increased production 240 million pounds. This increase was larger than the 224 million pounds produced during August 1997 in the state of Vermont.

While production in the Upper Midwest was below the previous year's level for every month during 1997, production has been higher for each month in 1998. In the Northeast region, production during the first 5 months of 1998 has been greater than production during the corresponding months of 1997. During January through April of 1997, however, milk production in the Northeast

was down compared to 1996.

In the first 5 months of 1998, compared to 1997, cumulative milk production in Pennsylvania has increased 210 million pounds while New York is up 10 million pounds. Revised April 1998 data indicate that milk production in Pennsylvania was only 13 million pounds less than in New York. During 1997, monthly milk production in New York averaged about 67 million pounds greater than production in Pennsylvania. ♦



Underpayment Notices Issued

For the first quarter of 1998, \$197.11 in underpayments to producers resulted from incorrect transportation differentials involving four handlers and five producers. In addition, there was \$60.67 in underpayments from the fourth quarter of 1997 affecting one producer and one handler. Also reported was \$102,086.70 resulting from hauling overcharges. These charges covered the period from the fourth quarter of 1996 through June 1997 and affected one handler and 39 producers. No hauling underpayments were reported for the first quarter of 1998. Handlers have been notified of their obligations. ♦

NYS Disaster Relief Available

The New York State Department of Agriculture and Markets has announced a herd indemnity program for dairy cows lost as a result of the January 1998 ice storm in northern New York. The disaster relief program authorizes grants up to \$5,000 for farm damage and up to \$1,400 per cow for cows lost during the storm. Applications for this program were mailed to dairy farmers in the six ice storm disaster counties of Clinton, Essex, Franklin, Jefferson, Lewis, and St. Lawrence. Farmers can call 888/767-4737 for additional information. The application deadline is September 1, 1998. ♦

Manufactured Dairy Products—1997 Summary

USDA recently released its 1997 Dairy Products Summary. The production of cheese, ice cream, and nonfat dry milk increased during 1997 while butter and yogurt production declined. The accompanying table shows the annual production of selected dairy products for 1995–1997 along with the year-to-year percent changes.

Cheese Production Increases

Total cheese manufactured (excluding cottage cheese) equaled 7.3 billion pounds in 1997, an increase of 1.5 percent from 1996. Of the total cheese manufactured, American types accounted for 44.8 percent. Of the total American produced, Cheddar accounted for 80.3 percent. Italian cheese accounted for 39.3 percent of total cheese. Of this, mozzarella accounted for 77.9 percent.

Wisconsin remained the largest cheese-producing state with 28.9 percent of the total. California followed with 16.0 percent and Minnesota ranked third with 8.8 percent. New York was the fourth largest cheese-producing state with 8.4 percent. For the first time, New Mexico qualified for the top ten, finishing eighth in total cheese production. This move bumped Vermont out of the top ten; its cheese production declined 24.0 percent from 1996.

The largest American cheese manufacturers were Wisconsin, Minnesota, and California, respectively. New York ranked sixth. Wisconsin also ranked first in Italian cheese, followed by California and New York. Pennsylvania finished fourth. New York ranked fourth in mozzarella, second in other Italian cheese (i.e. ricotta, provolone, Romano, and Parmesan), and first in cream and Neufchatel,

and creamed and lowfat cottage cheeses. Pennsylvania finished third in mozzarella and second in cream and Neufchatel production.

Other manufactured products

Total U.S. butter production declined 2.0 percent in 1997. California was the largest producing state, followed by Wisconsin and Washington. Pennsylvania finished fourth and New York ranked seventh.

Nonfat dry milk (for human food) production increased 14.7 percent from 1996 following a decline of 13.9 percent the previous year. The leading manufacturers in 1997 were California with 45.1 percent and Washington with 14.1 percent of the total.

Ice cream production was up 3.1 percent in 1997. California, Indiana, and Texas led the nation; New York ranked seventh. Yogurt production declined 0.9 percent. New York was the leading manufacturer, followed by California and Illinois. ♦

Product	1995	1996	1997	1995–96	1996–97
	million pounds			percent change	
Total cheese*	6,916.9	7,217.5	7,329.0	4.3	1.5
Yogurt	1,645.9	1,588.1	1,574.1	(3.5)	(0.9)
Butter	1,264.5	1,174.5	1,151.3	(7.1)	(2.0)
NFDM	1,233.0	1,061.8	1,217.6	(13.9)	14.7
Cottage cheese **	710.8	690.3	706.2	(2.9)	2.3
	million gallons				
Ice Cream	862.2	878.6	905.6	1.9	3.1

* Excludes cottage cheese.
 ** Includes creamed and lowfat cottage cheese.
 Source: USDA, NASS, *Dairy Products*.

Seven States Selected for Dairy Options Pilot Program

On June 8, 1998, Agriculture Secretary Dan Glickman announced an \$11 million program to give dairy farmers in selected counties a financial incentive to use options to manage their price risk. The new Dairy Options Pilot Program (DOPP) will help producers create their own financial safety net by purchasing exchange-traded options on the price of their milk. When milk prices fall, producers would be able to offset losses based on projected future earnings through using options, in effect, putting a floor under their milk prices.

Three Northeast States to Participate

Six counties from each of the states of California, Minnesota, New York, Pennsylvania, Texas, Vermont, and Wisconsin have been selected to participate. In New York the designated counties are: Chautauqua, Jefferson, Lewis, Oneida, St. Lawrence, and Steuben. The designated counties in Pennsylvania are: Berks, Bradford, Chester, Crawford, Franklin, and Lancaster. The designated counties in Vermont are: Addison,

Caledonia, Franklin, Orange, Orleans, and Rutland.

To be eligible to participate, producers must operate a dairy farm in one of the designated counties and have had total milk production of at least 100,000 pounds over any consecutive 6-month period during the last 12 months. The pilot program will run for 6 months for each group of participants. Producers will be required to attend a training program before they can participate. USDA will pay up to 80 percent of the options premium costs for transactions executed under program guidelines. By covering such a significant portion of the costs associated with using options, USDA seeks to encourage dairy farmers to experiment and become familiar with options as a tool to manage price fluctuations.

Producers in the selected counties will receive program information including details regarding training and starting dates from USDA later this summer. For more information contact Joe Conner in USDA's Office of Risk Management at 202/ 720-4232. ♦

Determination of Uniform Price of \$12.73 for May 1998

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 dollars	Total value	Contribution per cwt of receipts
I-A	382,444,477	35.9	15.23	58,246,293.88	131,208.87	58,377,502.75	5.477
I-B	16,626,783	1.6	15.23	2,532,259.04	2,584.25	2,534,843.29	0.238
II	154,072,537	14.4	13.11	20,198,909.58	17,611.34	20,216,520.92	1.897
III	484,168,622	45.4	10.76	52,096,543.72	48,265.95	52,144,809.67	4.892
III-A	<u>28,494,838</u>	<u>2.7</u>	13.84	<u>3,943,685.59</u>	<u>6,179.15</u>	<u>3,949,864.74</u>	<u>0.371</u>
Reported receipts	1,065,807,257	100.0		137,017,691.81	205,849.56	137,223,541.37	12.875
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(6) I	5,499,334		182,466.65				
Sec. .60(d)(6) II	4,966,123		59,096.87				
Total Sec. .60(d)(2) thru (6)	10,465,457		241,563.52			241,563.52	0.023
Total adjustments	10,465,457		241,563.52				
Total pool milk classified	1,065,807,257						
Handlers must pay			241,563.52	137,017,691.81	205,849.56	137,465,104.89 **	12.898
COMPUTATION OF UNIFORM PRICE							
	<u>Milk pounds</u>		<u>Dollars</u>			<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				137,465,104.89			12.898
Less: Cooperative payments	681,365,839		272,546.34			0.026	
Reserve			932,767.74			0.087	
Transportation credit	1,065,807,257		1,598,710.90	<u>(2,804,024.98)</u>		<u>0.150</u>	<u>(0.263)</u>
Value of pooled milk less subtractions				134,661,079.91			12.635
Add: Freight adjustment to 201-210 mile zone			91,274.18			0.008	
Unreserved cash in producer settlement fund			<u>924,909.73</u>	<u>1,016,183.91</u>		<u>0.087</u>	<u>0.095</u>
Uniform Price	1,065,807,257			135,677,263.82			12.730

* Includes transportation and other applicable differentials.

** In addition handlers must pay \$1,978,252.89 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.606063 percent. The butterfat differential was \$.175 for each one-tenth of one percent of butterfat.

Comparative Price and Other Descriptive Statistics

	MAY 1997	APRIL 1998	MAY 1998
Order No. 2			
Handlers (with producer milk)	39	32	31
Bulk Tank Units	100	93	94
Producers	10,097	10,093	9,863
Daily Deliveries Per Producer (pounds)	3,308	3,415	3,486
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	10.70	12.01	10.88
Cheddar Cheese, 40-lb blocks, per lb	1.1664	1.3072	1.2034
Butter, Grade A, 92-Score, Chicago Mercantile Exchange, per lb	.8740	1.2856	1.4945
Nonfat dry milk, Central States, per lb	1.0983	1.0426	1.0348
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	13.77	14.68	14.10
Order No. 2, 1-10 mile Zone* (New York City)	13.32	14.37	13.60
Order No. 4, Philadelphia¶	13.31	14.33	13.97
Class I Utilization Percentage			
Order No. 1	47.1	44.2	42.7
Order No. 2	37.1	37.5	37.5
Order No. 4	41.7	38.6	37.8

* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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