



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

# The Market Administrator's Bulletin

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## Federal Order Reform Update

Implementation of federal milk marketing order reform continues to be delayed due to legal action. The Temporary Restraining Order (TRO) issued September 28 by the United States District Court for the District of Vermont remains in place. USDA's Agricultural Marketing Service Administrator, Kathleen Merrigan, has stated that even if all the court decisions were in USDA's favor reform would not take effect until next year. The current federal orders will continue to operate as they have in the past until the lawsuit is resolved or congressional intervention resolves the dispute. ♦

## Cheese Prices Drop to Support Price

Wholesale prices for 40-pound block Cheddar cheese sold on the Chicago Mercantile Exchange (CME) dropped to \$1.10 per pound on November 10. The price stayed at \$1.10 for 2 days before rising 2.5 cents. As of November 16, the CME block price closed at \$1.1225 per pound. A cash market price of \$1.10 is perhaps of some significance to dairy commodity markets because it is the support purchase price at which USDA has an open offer to purchase 40-pound blocks of cheese. The last time exchange traded cheese prices dropped to the support price was during the week of May 10, 1991, when 40-pound block prices on the National Cheese Exchange (cash exchange predecessor to cheese trading on the CME) closed at \$1.0975 per pound. From May to July 1997, however, CME 40-pound block prices hovered just 2 to 3.75 cents above the support price for a period of 9 weeks.

### Prices Declined Through the Fall

On August 19, CME block prices had reached an all-time high of \$1.9725 per pound, and within a span of less than 3 months dropped a record 87.25 cents. Although it is the weekly National Agricultural Statistics Service (NASS) cheese price survey and not CME prices that are used in calculating federal order prices, the two price series generally respond similarly. The price decline corresponds with USDA's monthly milk production numbers, which have reported strong growth  
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## October 1999 Pool Highlights

- The October 1999 uniform price equaled **\$14.86** per hundredweight, a decrease of \$0.66 from last month and down \$1.61 from October 1998.
- Class I and II prices were \$0.80 above last year's. The Class III price was \$4.55 lower and the Class III-A price was \$6.35 lower than 1998's.
- Producer milk receipts totaled 944.4 million pounds, a decrease of 1.5 percent from last year.
- Class I usage totaled 387.9 million pounds, down 10.7 percent from the previous year.
- Daily deliveries per producer (DDP) equaled 3,395 pounds. This was a year-to-year increase of 180 pounds (5.6 percent). ♦

### Order No. 2 Prices and Utilization for October

Prices*	1998	1999	Percent change
	dollars per cwt		
Uniform	16.47	14.86	(9.8)
Class I	17.41	18.21	4.6
Class II	15.29	16.09	5.2
Class III	16.10	11.55	(28.3)
Class III-A	18.19	11.84	(34.9)
Utilization	million pounds		
Class I	434.6	387.9	(10.7)
Class II	139.3	146.6	5.2
Class III	376.0	395.2	5.1
Class III-A	8.8	14.7	66.6
Producer Receipts	958.7	944.4	(1.5)

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

## U.P. Forecasted to Decrease

The uniform price **forecast** for **November 1999** is **\$14.73** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

## In-Area Sales Nearly Even at Third Quarter

Total packaged fluid milk sales in the New York–New Jersey milk marketing area for January through September 1999 were nearly even with sales during the comparable period in 1998 (see accompanying table). For the 9-month period, 1999 sales were less than a quarter of a million pounds above those in 1998.

At midyear, 1999 sales were nearly 15 million pounds less than the previous year even though current year sales were above previous year sales during 3 out of 6 of those months. Due to the differences in the down months being greater, midyear sales totaled nearly 1 percent less than in 1998. All 3 months during the third quarter experienced higher sales than the comparable months of the previous year. July sales were up 1.8 percent, August 1.5 percent, and September 1.1 percent. These increases brought the 9-month total slightly over the previous year's corresponding 9-month total.

All categories of product experienced decreases except flavored milk and drinks that grew 5.3 percent for the period. This is unchanged from midyear. Changes in the other categories, though negative, were less than or equal to half a percent except buttermilk that decreased 3.1 percent.

Market shares for reduced (2%), lowfat (1%), and fatfree (skim) were unchanged from 1998. Whole milk

Sales of Packaged Fluid Milk Products Inside the NY–NJ Marketing Area, January–September 1998–99

Product	1998	1999*	Change
	million pounds		percent
Milk	1,549.4	1,547.1	(0.1)
Reduced	543.0	542.2	(0.1)
Lowfat	430.6	429.9	(0.2)
Fatfree	462.9	460.6	(0.5)
Flavored	125.4	132.1	5.3
Buttermilk	11.0	10.7	(3.1)
Total	3,122.3	3,122.6	0.0

\* Preliminary.

and buttermilk each lost 0.1 percentage point while flavored milk and drinks gained 0.2 percentage points. At the end of the third quarter, lower fat milk products (reduced, lowfat, and fatfree) equaled 46 percent of total sales. Flavored products had a 4.2 percent share and were concentrated mainly in lower fat flavored products. For the 9-month period, the average test for flavored products was 1.72 percent. This is down slightly from 1.76 percent in 1998. Whole milk accounted for 49.5 percent while buttermilk slipped to 0.3 percent of total sales during the first 9 months of 1999. ♦

## Northeast Outlook Conference Held

The 1999 Northeast Regional Dairy Outlook Conference was held November 8, 1999, at this office. The annual conference brings together economists and statisticians from Northeast market administrators' offices, state and federal agricultural statistical services, and university extension offices to review production and price statistics for the past year and develop projections for the upcoming year. The northeastern region includes New England (Connecticut, Massachusetts, New Hampshire, Rhode Island, and Vermont), New York, New Jersey, Pennsylvania, Maryland, and Delaware.

### Crop Situation

Hay and corn yields were inconsistent in the Northeast due to drought conditions during the past summer. In New England, total hay production (including alfalfa) was down about 18 percent from the 1998 crop. Due to the drought, corn matured early and was harvested ahead of schedule resulting in an expected yield decline of 3 percent compared to last year. In New York and Pennsylvania, crops have been spotty, again, due to drought conditions. In the northern and western United States, alfalfa production and quality is up, and coupled with decreased exports resulting from the Asian economic crisis, that will mean ample and affordable hay is available for dairy expansion occurring in these areas.

### Production Estimates

With prices expected to drop at the end of 1999 and remain low into the first half of 2000, combined milk production in the Northeast is estimated to finish only 0.6 percent higher this year than in 1998. For 2000, Northeast milk production is projected to increase less than 1 percent. Nationally, milk production is expected to finish 3 percent higher this year and grow another 1.9 percent in 2000, largely due to continued strong growth in California and the West. Cow numbers in the Northeast are projected to finish 0.8 percent less than in 1998 and drop an additional 0.5 percent in 2000. Nationally, 1999 cow numbers are expected to finish unchanged and drop slightly (0.1 percent) in 2000. The increase in production will be the result of increases in milk production per cow. The combined Northeast is projecting growth of 1.4 percent in both 1999 and 2000, while the U.S. milk production per cow is expected to finish 3 percent higher in 1999 and jump an additional 2 percent next year.

### Price Forecasts

Demand for dairy products has been strong for the last 2 years. In 1998, this demand combined with sluggish growth in milk production to drive milk prices to record-setting levels. As expected these prices, *(continued on page 3)*

## Import Share of Food Consumption

The import share of consumption is the portion consumed domestically that is imported from foreign countries. The remaining portion consumed is produced in the United States. Over the past two decades, U.S. consumers have been increasing their dependence on imported foods. Import levels were relatively low in the late 70s, but have increased in the 80s and 90s. Information for this article was provided by the USDA's Economic Research Service August 1999 *U.S. Agricultural Trade Update*.

### Effects on Import Share

The proportion of imports in food consumption reflects supply factors as well as consumer demand, with the exception of food not normally produced here. Import demand is determined by such factors as relative prices, tastes, and income growth. Changes in import shares are influenced by exchange rate movements, trade policy, food safety concerns, weather effects, and other temporary developments. Other factors, such as improved transportation and storage technology and consumers' interest in improving their diets, may have longer-term effects on import demand.

Import share is simply total quantity imported divided by the quantity consumed. Therefore, import share can rise if consumption falls relative to imports. In most cases though, import share changes are due to a combination of changes in imports and changes in consumption. For example, the import share of red meat consumption rose from 6.4 percent in 1996 to 7.1 percent in 1997. This was due to a combination of increased imports from the European Union, Canada, and Mexico and decreased per capita consumption.

### Dairy Products' Share

For dairy products, import share of consumption is lower than most other foods. Since 1990, the import share has remained at only 1.9 percent for the category as a whole. This is up from 1.4 percent in 1975 and 1.7 percent in 1980, but down slightly from 2 percent in 1985. Since 1975, the import share of cheese has declined. In 1975, cheese's import share equaled 5.8 percent. This dropped to 5.6 percent in 1985 and to 4.8 percent in 1990. Since 1995, its import share has decreased from 4.7 percent to 4.5 and 4.1 percent, respectively, in 1996 and 1997. This is the result of continued strong demand for cheese combined with decreased imports.

### Other Foods' Share

For comparison, fresh fruits had an import share of 34 percent in 1997, up from 30.6 percent in 1990 and 24.2 percent in 1980. Fresh vegetables' import share equaled 10.3 percent in 1997. This was an increase from 7.5 percent in 1990 and 5.4 percent in 1980. Fish and shellfish had an import share of 62.1 percent in 1997, 56.3 percent in 1990, and 45.3 percent in 1980.

Within the red meat category, beef's import share equaled 9.2 percent in 1997; pork had a 3.8 percent share; and lamb had a 24.9 percent import share. Poultry only had a 0.1 percent share in 1997, unchanged from 1985. ♦

## National Dairy Board Appointments

Agriculture Secretary Dan Glickman announced the appointment of five incumbents and seven new members to the National Dairy Promotion and Research Board. All will serve 3-year terms through October 31, 2002. Locally, Ruth I. Larabee, Lowville, NY (region 12), was re-appointed. Rita Kennedy, Valencia, PA (region 11), and Claude J. Bourbeau, Swanton, VT (region 13), were newly appointed.

The Board is composed of 36 dairy farmers representing 13 regions of the contiguous United States. It administers a coordinated program of promotion, research, and nutrition education, and is financed by a mandatory 15-cent per hundredweight processor assessment. ♦

## Cheese Prices Drop *(continued from page 1)*

in U.S. milk production through this fall. Total estimated U.S. milk production during the first 10 months of 1999 is 3.3 percent above last year's production for the same period. For all of 1998, U.S. milk production grew less than 1 percent (0.9 percent) above the 1997 level. If monthly production gains continue through the last 2 months of this year, 1999 could end up with the greatest year-over-year production gain of the 1990s.

### Price Drop to Appear in Coming Blend Prices

Due to advance pricing of Class I and II milk under federal orders, the full impact of the cheese market decline has not yet appeared in Order No. 2 uniform prices. The November uniform price (milk produced in November, final payment received in December) will be the last month with Class I and II prices based off of a high basic formula price (and cheese prices) of August. Beginning in December (final payment received in January), all class prices will reflect the significantly lower commodity market prices, and the uniform price will decline. ♦

## Northeast Outlook *(continued from page 2)*

along with relatively low feed costs, have generated an expansion in milk production in 1999. As a result, prices have declined from the previous year's level and are anticipated to remain at a lower level throughout the first half of 2000.

Conference participants' basic formula price (BFP) annual averages, including estimates for the last 2 months of 1999, were 11 percent below 1998. For 2000, the BFP is projected to average 6.4 percent less than in 1999. ♦

## Determination of Uniform Price of \$14.86 for October 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	369,944,384	39.2	18.21	67,366,872.34	86,435.83	67,453,308.17	7.143
I-B	17,992,292	1.9	18.21	3,276,396.35	(8,364.38)	3,268,031.97	0.346
II	146,592,718	15.5	16.09	23,586,768.30	17,441.85	23,604,210.15	2.500
III	395,181,639	41.8	11.55	45,643,479.35	38,168.17	45,681,647.52	4.836
III-A	<u>14,664,464</u>	<u>1.6</u>	11.84	<u>1,736,272.55</u>	<u>1,092.55</u>	<u>1,737,365.10</u>	<u>0.184</u>
Reported receipts	944,375,497	100.0		141,609,788.89	134,774.02	141,744,562.91	15.009
Adjustments:	<u>Product pounds</u>		<u>Dollars*</u>				
Sec. .60(d)(1) III	2,186		2,573.58				
Total Sec. .60(d)(1)	2,186	2,186	2,573.58			2,573.58	0.000
Sec. .60(d)(6) I	2,839,960		53,984.35				
Sec. .60(d)(6) II	3,827,855		(8,804.05)				
Total Sec. .60(d)(2) thru (6)	6,667,815		45,180.30			45,180.30	0.005
Total adjustments	6,670,001		47,753.88				
Total pool milk classified	944,377,683						
Handlers must pay			47,753.88	141,609,788.89	134,774.02	141,792,316.79	** 15.014
<b>COMPUTATION OF UNIFORM PRICE</b>							
	<u>Milk pounds</u>		<u>Dollars</u>			<u>Dollars per cwt of receipts</u>	
Total value of pooled milk				141,792,316.79		15.014	
Less: Cooperative payments	601,234,291		240,493.72			0.025	
Reserve			843,773.37			0.090	
Transportation credit	944,375,497		1,416,563.25	<u>(2,500,830.34)</u>		<u>0.150</u>	<u>(0.265)</u>
Value of pooled milk less subtractions				139,291,486.45		14.749	
Add: Freight adjustment to 201-210 mile zone			187,383.47			0.020	
Unreserved cash in producer settlement fund			<u>855,328.93</u>	<u>1,042,712.40</u>		<u>0.091</u>	<u>0.111</u>
Uniform Price	944,375,497			140,334,198.85		14.860	

\* Includes transportation and other applicable differentials.

\*\* In addition handlers must pay \$2,236,220.66 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.715267 percent. The butterfat differential was \$.110 for each one-tenth of one percent of butterfat.

## Comparative Price and Other Descriptive Statistics

HANDLERS, PLANTS, BULK TANK UNITS, PRODUCERS, AND RECEIPTS

	OCTOBER 1998	SEPTEMBER 1999	OCTOBER 1999
Order No. 2			
Handlers (with producer milk)	32	29	27
Bulk Tank Units	93	90	75
Producers	9,620	9,004	8,972
Daily Deliveries Per Producer (pounds)	3,215	3,460	3,395
Price Factors, Monthly Averages (dollars)			
Basic Formula Price, 3.5% butterfat, per cwt	16.04	16.26	11.49
Cheddar Cheese, 40-lb blocks, per lb, NASS	1.7534	1.8023	1.4388
Butter, Grade A, per lb	2.3189	1.2493	1.0348
Nonfat dry milk, Central States, per lb	1.1180	1.0486	1.0451
Uniform Prices (dollars per cwt, 3.5% butterfat)			
Order No. 1, Zone 1 (Boston)	17.48	16.06	16.19
Order No. 2, 1-10 mile Zone* (New York City)	17.34	16.39	15.73
Order No. 4, Philadelphia†	17.10	15.50	16.03
Class I Utilization Percentage			
Order No. 1	50.4	50.9	49.8
Order No. 2	45.4	41.3	41.1
Order No. 4	50.4	54.4	46.6

\* Includes 15-cent transportation credit.

† Includes 6-cent direct-delivery differential.

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