



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

The Market Administrator's Bulletin

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Federal Order No. 2

Volume 59

September

1999

Federal Order Reform Update

Implementation Delayed

The anticipated reform of the federal milk marketing order system has been delayed by court action. On September 28, 1999, the United States District Court for the District of Vermont issued a Temporary Restraining Order (TRO) that stopped the Secretary of Agriculture from implementing changes that were scheduled to be effective October 1, 1999. USDA has indicated that the current 31 milk marketing orders will continue to operate as they have in the past, until the current lawsuit is resolved.

The three Northeast federal orders were scheduled to be consolidated on October 1, 1999. Because of the legal action, Order No. 1 (New England), Order No. 2 (New York-New Jersey), and Order No. 4 (Middle Atlantic) will continue to operate as three separate orders with their current regulations in effect. The changes to component pricing and other changes are delayed.

Market Administrator Retires

Ronald C. Pearce, Market Administrator of the New York-New Jersey Milk Marketing Area, retired on September 30, 1999. Mr. Pearce was appointed Acting Market Administrator effective October 9, 1990. On October 1, 1991, he was appointed Market Administrator. Effective October 1, 1999, Erik F. Rasmussen was designated the Acting Market Administrator of the New York-New Jersey Milk Marketing Area. ♦

Order No. 2 Year-to-Date Summary

For the January through September 1999 period, total producer milk receipts under Order No. 2 decreased 2.3 percent from the same period last year. This decline is unchanged from mid-year. For the same 9-month period, uniform prices under the order averaged 0.7 percent higher than 1998 record-high prices. At mid-year, uniform prices were 3.0 percent higher than the previous year. The table on page 3 shows a comparison to 1998 for the first three quarters of 1999.

(continued on page 3)

September 1999 Pool Highlights

- The September 1999 uniform price equaled **\$15.52** per hundredweight, an increase of \$1.36 from last month and down \$0.46 from September 1998.
- Class I and II prices were \$1.18 below last year's. The Class III price was \$1.16 higher and the Class III-A price was \$7.44 lower than 1998's.
- Producer milk receipts totaled 934.6 million pounds, a decrease of 0.2 percent from last year.
- Class I usage totaled 386.3 million pounds, down 7.8 percent from the previous year.
- Daily deliveries per producer (DDP) equaled 3,460 pounds. This was a year-to-year increase of 232 pounds (7.2 percent). ♦

Order No. 2 Prices and Utilization for September

| | 1998 | 1999 | Percent change |
|--------------------|-----------------|-------|-------------------|
| Prices* | | | |
| | dollars per cwt | | |
| Uniform | 15.98 | 15.52 | (2.9) |
| Class I | 17.19 | 16.01 | (6.9) |
| Class II | 15.07 | 13.89 | (7.8) |
| Class III | 15.16 | 16.32 | 7.7 |
| Class III-A | 19.87 | 12.43 | (37.4) |
| Utilization | | | |
| | million pounds | | |
| Class I | 418.8 | 386.3 | (7.8) |
| Class II | 147.2 | 155.7 | 5.7 |
| Class III | 359.4 | 363.6 | 1.2 |
| Class III-A | 11.1 | 29.0 | 160.5 |
| Producer Receipts | 936.5 | 934.6 | (0.2) |

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

U.P. Forecasted to Decrease

The uniform price **forecast** for **October 1999** is **\$15.08** per hundredweight of bulk milk testing 3.5 percent butterfat in the 201-210 mile zone. This is an estimate. ♦

Cheese is Driving Force Behind Per Capita Consumption Increase

For the past 25 years, U.S. per capita consumption of dairy products has followed an inconsistent path (see accompanying table). In the early 70s, it averaged about 560 pounds on a milk equivalent, milkfat basis. Over the next few years it dropped quite drastically, then rose again slightly. In the 80s, per capita consumption rose fairly steadily reaching 601 pounds in 1987, but then declined nearly 20 pounds each of the following 2 years. Once again, the 90s saw renewed strength in consumption, hitting 586 pounds in 1994. The next 3 years saw some weakness with per capita consumption settling at about 580 pounds in 1997, an overall increase of 20 pounds since 1972.

The only product within the total dairy products category to experience sustained growth throughout this period has been cheese. The cheese category includes whole and part-skim milk cheese, such as American and Italian (largely mozzarella). Over the past 25 years, per capita consumption of cheese grew 115 percent. American cheese used to account for a majority of the category, but around 1988, it dropped to less than half of all cheese consumed. At this point mozzarella sales became a significant part of the category, due to the increased demand for pizza that has held and grown over the past decade. Over the 25-year period, mozzarella consumption increased 430 percent.

Other Italian cheeses witnessed healthy increases over the years. Parmesan consumption grew 170 percent, Provolone 213 percent, and ricotta 187 percent. Muenster cheese consumption increased 68 percent over the same period. In addition, consumption of cream and Neufchatel cheese grew 265 percent

during the past 25 years.

Per capita consumption of fluid milk and cream declined 19 percent over the past 25 years. This drop has been fairly consistent except for a slight increase in the mid-80s. Consumption of whole milk experienced the largest decline, a whopping 65 percent. Consumption of reduced fat (2%) and light (0.5% to 1%) increased 93 percent and 389 percent, respectively. Skim (fat free) consumption grew 177 percent over the period.

Butter consumption dropped 16 percent while the consumption of frozen desserts rose slightly due, in part, to the introduction of frozen yogurt in the late 80s. Declines also occurred in condensed and evaporated milk and dry milk products. Sour cream consumption increased 131 percent and other cream (half-and-half, light, and heavy) grew 68 percent. Yogurt consumption grew 292 percent over the 25-year period. ♦

U.S. Per Capita Consumption of Selected Dairy Products, by 5-Year Intervals, 1972-97

| Year | Fluid Milk & Cream | Butter | Cheese* | Frozen Desserts | Dairy Products** |
|------|-----------------------|--------|---------|--------------------|---------------------|
| | pounds | | | | |
| 1972 | 273.5 | 5.0 | 13.0 | 28.0 | 559.6 |
| 1977 | 257.5 | 4.3 | 16.0 | 27.5 | 540.2 |
| 1982 | 235.6 | 4.3 | 19.9 | 26.4 | 554.6 |
| 1987 | 238.4 | 4.7 | 24.1 | 28.2 | 601.2 |
| 1992 | 230.5 | 4.4 | 26.0 | 28.9 | 565.9 |
| 1997 | 221.1 | 4.2 | 28.0 | 28.7 | 579.8 |

* Does not include full-skim American and cottage, pot, and baker's cheese.

** Milk equivalent, milkfat basis. Includes additional products not shown such as cottage cheese, yogurt, condensed and evaporated milk, and dry milk products.

Source: USDA/Economic Research Service.

More Order No. 2 Milk Heads South

During the month of September, over 12 million pounds of bulk milk pooled under Order No. 2 were shipped to plants located in the southeastern United States. This equals approximately 248 tanker loads of milk, or about 1.3 percent of the total volume of milk pooled under Order No. 2 during September.

This volume was the largest quantity shipped south by Order No. 2 handlers, surpassing this August's record-high 10.6 million pounds. Nearly 70 percent of this milk was classified as Class I. Recipients included plants in Georgia, North and South Carolina, Tennessee, and Virginia.

Shipments of this type usually only occur during the late summer and early fall months. Extra supplies of

milk are moved to markets where milk is in short supply, such as the Southeast. In addition, a few producers formerly associated with Order No. 2 have been shipping milk directly to the Southeast for the entire year. ♦

Approval for Cooperative Payments

Lanco Dairy Farms Co-Op (Lanco) has become qualified as an affiliated cooperative of Dairylea Cooperative Inc. (Dairylea). 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 Lanco. ♦

Year-to-Date Summary *(continued from Page 1)*

Milk used for Class I declined 2.3 percent from 1998 for the 9-month period; at mid-year the decline was only 1.0 percent. Overall, Class I utilization averaged 39.6 percent. Even though milk receipts have declined, the class proportions have remained fairly similar to the previous year.

Class I prices averaged 2.9 percent higher than during the comparable period in 1998 due to substantially higher prices in the beginning of 1999. During the first quarter of 1999, Class I, II, and III-A prices were all above the same period in 1998. In the second quarter, all class prices were below previous year levels. During the third quarter, only Class III prices averaged higher than in 1998 signaling an increase in Class I and II prices in the last quarter of 1999.

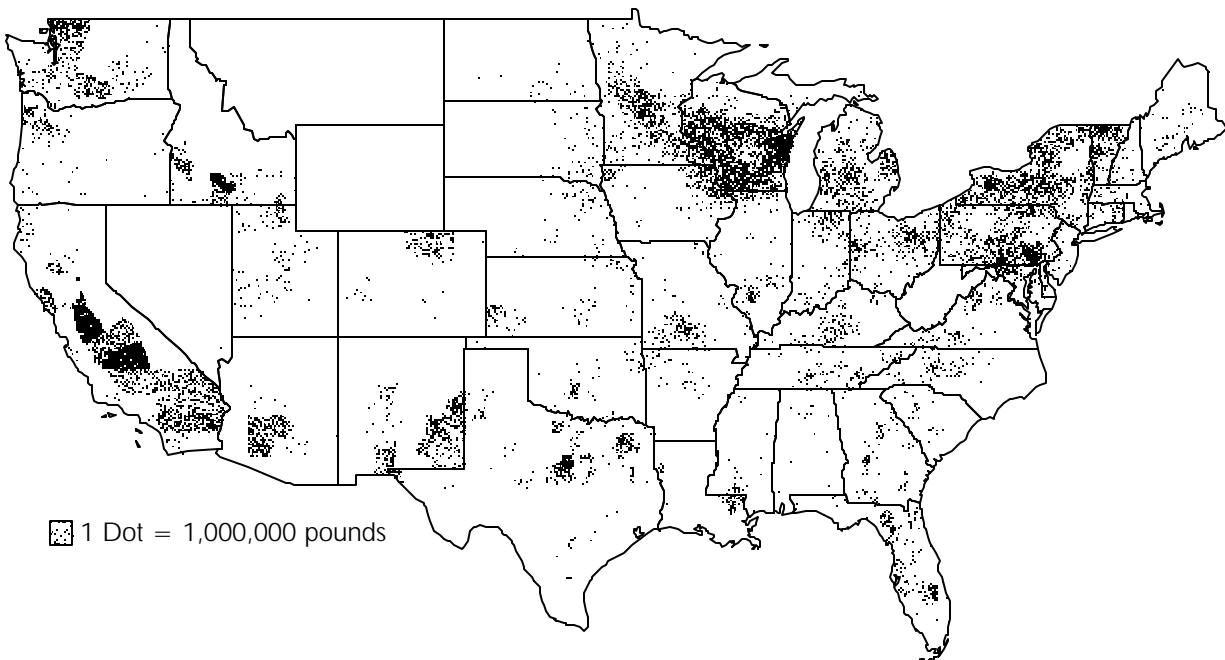
Daily milk deliveries per producer (DDP) for the January through September period averaged 6.1 percent above the comparable period in 1998. At mid-year, DDP averaged 6.3 percent above the previous year. Although the third quarter increase was not as great as previous quarters, the overall increase in DDP has been impressive during 1999.

Producer numbers have declined 7.9 percent for the first 9 months of 1999 compared to the previous year. This change is down slightly from a decline of 8.2 percent at mid-year. ♦

**Order No. 2 Pool Statistics,
January–September, 1998–99**

| Pool Statistic | 1998 | 1999 | 1998–99 |
|----------------|------------------------|---------|---------|
| | million pounds | | percent |
| Class I | 3,582.8 | 3,501.3 | (2.3) |
| Class II | 1,373.8 | 1,369.9 | (0.3) |
| Class III | 3,844.3 | 3,748.4 | (2.5) |
| Class III-A | 248.8 | 225.0 | (9.6) |
| Total Receipts | 9,049.7 | 8,844.6 | (2.3) |
| | pounds | | |
| DDP | 3,334 | 3,538 | 6.1 |
| | utilization percentage | | change |
| Class I | 39.6 | 39.6 | (0.0) |
| Class II | 15.2 | 15.5 | 0.3 |
| Class III | 42.5 | 42.4 | (0.1) |
| Class III-A | 2.7 | 2.5 | (0.2) |
| | dollars/cwt | | percent |
| Class I | 15.35 | 15.80 | 2.9 |
| Class II | 13.23 | 13.68 | 3.4 |
| Class III | 13.34 | 13.13 | (1.6) |
| Class III-A | 14.62 | 12.38 | (15.3) |
| Uniform | 14.01 | 14.11 | 0.7 |

**Federal Order and California State Milk Marketings*,
May 1999**



Source: Tulsa, Oklahoma, Market Administrator's Office.

* Does not include other state order or non-pool receipts. Includes milk not pooled due to adverse price relationships.

Determination of Uniform Price of \$15.52 for September 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 dollars | Total value | Contribution per cwt of receipts |
| I-A | 370,990,910 | 39.7 | 16.01 | 59,395,644.69 | 74,864.83 | 59,470,509.52 | 6.364 |
| I-B | 15,281,180 | 1.6 | 16.01 | 2,446,516.91 | 3,124.32 | 2,449,641.23 | 0.262 |
| II | 155,665,779 | 16.7 | 13.89 | 21,621,976.71 | 17,402.13 | 21,639,378.84 | 2.316 |
| III | 363,649,061 | 38.9 | 16.32 | 59,347,526.66 | 34,306.66 | 59,381,833.32 | 6.353 |
| III-A | <u>28,964,113</u> | <u>3.1</u> | 12.43 | <u>3,600,239.25</u> | <u>3,324.47</u> | <u>3,603,563.72</u> | <u>0.386</u> |
| Reported receipts | 934,551,043 | 100.0 | | 146,411,904.22 | 133,022.41 | 146,544,926.63 | 15.681 |
| Adjustments: | <u>Product pounds</u> | | <u>Dollars*</u> | | | | |
| Sec. .60(d)(1) III | 161,592 | | 23,159.16 | | | | |
| Total Sec. .60(d)(1) | 161,592 | 161,592 | 23,159.16 | | | 23,159.16 | 0.002 |
| Sec. .60(d)(6) I | 2,580,545 | | 3,318.35 | | | | |
| Sec. .60(d)(6) II | 4,435,817 | | (88,716.34) | | | | |
| Total Sec. .60(d)(2) thru (6) | 7,016,362 | | (85,397.99) | | | 85,397.99 | (0.009) |
| Total adjustments | 7,177,954 | | (62,238.83) | | | | |
| Total pool milk classified | 934,712,635 | | | | | | |
| Handlers must pay | | | (62,238.83) | 146,411,904.22 | 133,022.41 | 146,482,687.80 | ** 15.674 |

| COMPUTATION OF UNIFORM PRICE | | | |
|--|--------------------|-------------------|------------------------------------|
| | <u>Milk pounds</u> | <u>Dollars</u> | <u>Dollars per cwt of receipts</u> |
| Total value of pooled milk | | 146,482,687.80 | 15.674 |
| Less: Cooperative payments | 599,147,235 | 239,658.89 | 0.026 |
| Reserve | | 831,646.68 | 0.089 |
| Transportation credit | 934,551,043 | 1,401,826.56 | <u>(2,473,132.13)</u> |
| Value of pooled milk less subtractions | | 144,009,555.67 | 15.409 |
| Add: Freight adjustment to 201-210 mile zone | | 195,577.15 | 0.021 |
| Unreserved cash in producer settlement fund | | <u>837,189.05</u> | <u>0.090</u> |
| Uniform Price | 934,551,043 | 145,042,321.87 | 15.520 |

* Includes transportation and other applicable differentials.

** In addition handlers must pay \$1,273,534.40 for butterfat in excess of 3.5 percent.

Note: The average butterfat test of milk delivered was 3.608153 percent. The butterfat differential was \$.126 for each one-tenth of one percent of butterfat.

Comparative Price and Other Descriptive Statistics

| | SEPTEMBER 1998 | AUGUST 1999 | SEPTEMBER 1999 |
|--|----------------|-------------|----------------|
| Order No. 2 | | | |
| Handlers (with producer milk) | 31 | 29 | 29 |
| Bulk Tank Units | 93 | 89 | 90 |
| Producers | 9,672 | 8,970 | 9,004 |
| Daily Deliveries Per Producer (pounds) | 3,228 | 3,511 | 3,460 |
| Price Factors, Monthly Averages (dollars) | | | |
| Basic Formula Price, 3.5% butterfat, per cwt | 15.10 | 15.79 | 16.26 |
| Cheddar Cheese, 40-lb blocks, per lb, NASS | 1.6556 | 1.7213 | 1.8023 |
| Butter, Grade A, per lb | 2.6666 | 1.3063 | 1.2493 |
| Nonfat dry milk, Central States, per lb | 1.1007 | 1.0384 | 1.0486 |
| Uniform Prices (dollars per cwt, 3.5% butterfat) | | | |
| Order No. 1, Zone 1 (Boston) | 17.19 | 14.36 | 16.06 |
| Order No. 2, 1-10 mile Zone* (New York City) | 16.85 | 15.03 | 16.39 |
| Order No. 4, Philadelphia¶ | 16.83 | 13.74 | 15.50 |
| Class I Utilization Percentage | | | |
| Order No. 1 | 50.1 | 47.0 | 50.9 |
| Order No. 2 | 44.7 | 38.4 | 41.3 |
| Order No. 4 | 50.2 | 50.0 | 54.4 |

* Includes 15-cent transportation credit.

¶ Includes 6-cent direct-delivery differential.

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