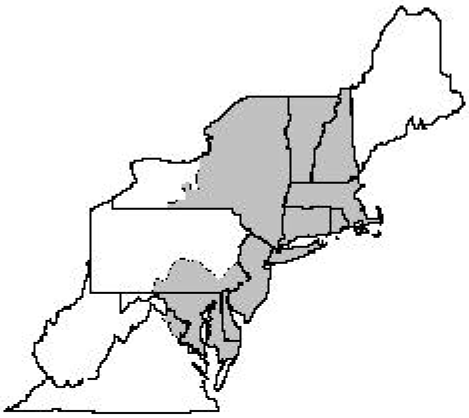

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

April 2000 Federal Order No. 1

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April Pool Price Calculation

The April statistical uniform price for the Northeast Marketing Area was announced at $12.46 per hundredweight at Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. This was an increase of 7 cents per hundredweight from March. The producer price differential (PPD) at Suffolk County was $3.05 per hundredweight, an increase of 20 cents per hundredweight from March. The PPD is $2.95 for shipment to plants in the New York City differential zone and $2.85 for plants in the Philadelphia differential zone.

Producer Price Differential Increases

Since January the PPD for the Northeast Order has increased by 75 cents per hundredweight. April's PPD of $3.05 at Boston was the highest PPD again for all federal orders that calculate a PPD. The Southwest Marketing Area reported the next highest PPD at $2.64.

The factors behind the increase are changes in wholesale commodity values (as measured by National Agricultural Statistics Service (NASS) weekly surveys) that have resulted in changing class milk prices and the method by which the PPD is calculated. As cheese prices have declined so has the Class III price, dropping from $10.05 in January to $9.41 in April. Conversely the Class IV price has risen from $10.73 to $11.38, during this same period, driven by increases in butter prices (see Market Situation article for more price information). As reported in prior *Bulletins*, the PPD reflects the value of Classes I, II, and IV milk in the pool. As the Class IV price has risen so has the Class II price (determined by adding a fixed 70 cents to the Class IV price). In addition, the Class I price (determined by adding a fixed differential value to the *higher of* the Class III or Class IV price) also has increased. Thus, the values of Classes I, II, and IV milk have increased and this has had a positive impact on the PPD.

Northeast Order Pools Most Milk

In April the Northeast Order surpassed the Upper Midwest Marketing Area as the largest federal order on the basis of volume of milk pooled. (This shift is more a factor of handlers in the Upper Midwest Order switching producers to the Central Marketing Area, for pricing purposes, than an influx of producers into the Northeast Marketing Area.) In addition to the largest *total volume* the Northeast Order also had the largest volume of milk in Classes I, II, and IV, during April, of any of the 11 federal orders. The combination of *higher-class prices* and *larger volumes of milk* in Classes I, II, and IV is a significant factor as to why the Northeast Order has generated a higher PPD than other federal orders, despite many of the other orders having a higher *percentage* of milk utilized as Class I.❖

Pool Summary

- A total of 17,433 producers were pooled under the order with an average daily delivery per producer of 3,997 pounds.
- Producer milk receipts totaled 2.091billion pounds.
- Class I usage (milk for bottling) accounted for 39.0 percent of total milk receipts, a decrease of 3.0 percentage points from March.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 2.98 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

Producer Milk	Percent	Pounds
Class I	39.0	816,079,865
Class II	17.4	364,726,009
Class III	30.2	631,296,207
Class IV	13.4	279,273,353
Total Producer Milk		2,091,375,434

Producer Component Prices

Protein Price	$1.7399 /lb
Butterfat Price	$1.1352 /lb
Other Solids Price	$0.0408 /lb

Class Price Factors

	$/cwt
Class I	14.18
Class II	12.10
Class III	9.41
Class IV	11.38

Manufactured Dairy Products—1999 Summary

USDA's National Agricultural Statistics Service recently released their Dairy Products Annual for 1999. The total amount of cheese manufactured in the United States (excluding cottage cheese) equaled 7.9 billion pounds, an increase of 6.0 percent from 1998. Butter production was up 9.2 percent from 1998, and the amount of nonfat dry milk (NFDM) produced nationally jumped 21.4 percent.

Cheese Production Continues to Grow

American cheese production totaled 3.6 billion pounds in 1999, an increase of 7.9 percent from the previous year. It accounted for 45.0 percent of all cheese manufactured (not including cottage cheese), up from 44.2 percent in 1998. Italian cheese production totaled 3.1 billion pounds, an increase of 4.6 percent from 1998. Mozzarella production continued to grow, totaling 2.5 billion pounds; this was an increase of 6.5 percent from 1998. Mozzarella accounted for 80.2 percent of total Italian cheese in 1999.

Swiss cheese production grew 6.8 percent in 1999 to 220.5 million pounds. The production of Hispanic cheese increased 13.9 percent and totaled 86.5 million pounds, overtaking Muenster production which declined 15.3 percent from the previous year. Other American varieties of cheese, which include colby, Monterey, and Jack, grew 11.5 percent from 1998.

Other Manufactured Products

Butter production totaled 1.3 billion pounds in 1999. As mentioned above, this was an increase of 9.2 percent from the previous year. Yogurt production grew 6.5 percent and totaled 1.7 billion pounds in 1999. The production of nonfat dry milk (used for human food) totaled 1.4 billion pounds. As noted earlier, this was an increase of 21.4 percent from 1998.

During 1999, the Commodity Credit Corporation (CCC) purchased a total of 236.9 million pounds of NFDM, but no butter or cheese. This compares to 113.5 million pounds of NFDM and, again, no butter or cheese during 1998. As of May 10, 2000, the CCC has purchased 5.6 million pounds of cheese, 240.0 million pounds of NFDM, but no butter.

Leading Manufacturing States

Wisconsin continues to lead in cheese making with 27.1 percent of all U.S. cheese, excluding cottage cheese, in 1999. California followed with 17.4 percent. New York and Minnesota tied with 8.6 percent. Idaho rounded out the top five with 7.1 percent.

California led the nation in NFDM production with 47.2 percent of the total in 1999. Washington ranked second with 13.2 percent; New Mexico was third with 3.5 percent.

The top butter producing states were California (26.9 percent), Wisconsin (22.8 percent), and Washington (9.3 percent).

The total number of dairy plants in the United States equaled 1,258 in 1999, down 4.9 percent from 1998. Wisconsin had 211 plants, down from 217 in the previous year. California had 130, a decline of 17 from 1998, and New York had 121, down 9 from the previous year.

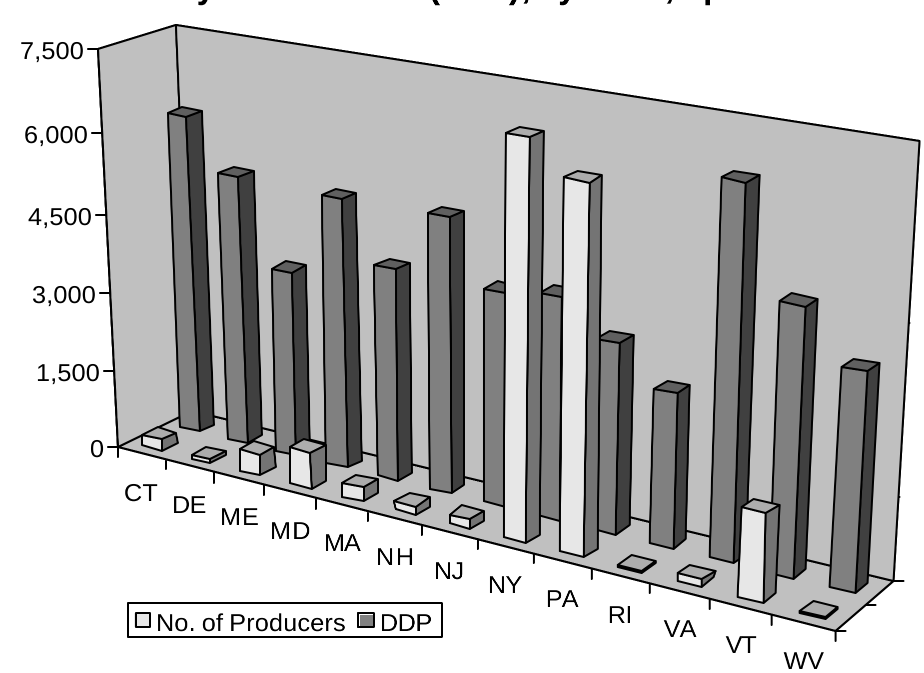
Utilization of Milk Marketings

Of the total amount of milk marketed in the United States in 1999, 62 percent was used for manufactured products. In 1998, the amount was 61 percent of total marketings, the same as in 1990. In 1980, manufactured products accounted for 58 percent of total marketings.❖

Milk Receipts Under the Northeast Order

The following table summarizes the number of producers and average daily delivery per producer (DDP) for the 13 states from which producers are pooled under the Northeast Order. These numbers are as reported by handlers at pool time and could vary on audit verification. While New York and Pennsylvania account for the majority of all producers, states such as Virginia, Connecticut, and Delaware lead the way on a DDP basis. This suggests that the few farms in these states tend to be larger than average compared to the total population of dairy farms in New York and Pennsylvania.❖

Northeast Order—Number of Producers and Average Daily Delivery Per Producer (DDP), by State, April 2000



MARKET SITUATION

Commodity Prices Are Mixed

Prices of 40-pound block Cheddar cheese reported on the National Agricultural Statistics Service (NASS) survey have shown little change during 2000. The year began with low block prices, hovering around $1.15 per pound. By the end of January, prices hit $1.1140 per pound and have remained in a tight range of $1.0958 to $1.1106 from February through April. They dipped slightly below $1.09 per pound as reported for the week ending May 6. These changes are relatively flat compared to 1999's sharp decline from $1.8745 per pound in the beginning of January to $1.2990 per pound in the first week of May (see chart 1).

Compared to the Chicago Mercantile Exchange (CME), NASS cheese prices have run fairly close (see chart 2). The difference between the two prices has been less than 5 cents for most of 2000. When comparing simple averages for the 19-week period, the difference is only $0.004 per pound. Prices for 40-pound block Cheddar and 500-pound barrel cheese have maintained a spread of about 2 cents per pound for the first 19 weeks of 2000 on both the CME and NASS survey.

Grade AA butter prices have been increasing since the beginning of 2000. The year began with prices in the mid-80-cent per pound range. On the NASS survey, prices climbed to nearly $1.09 per pound for the week ending May 6. As depicted in chart 3, weekly CME prices have averaged higher. They reached $1.2375 per pound on May 5, but dropped to $1.1950 per pound for the week ending May 12. The difference between CME and NASS prices has averaged about 5 cents (CME higher). Compared to the same period in 1999, butter prices on the NASS survey are down 22 cents per pound; CME prices are 28 cents less per pound.

Nonfat dry milk prices (Extra Grade) on the NASS survey averaged 2 cents less per pound during the first four months of 2000 compared to the same period in 1999 (see chart 4). CME prices equaled $1.03 per pound for both Extra Grade and Grade A NFDM since early last fall. ❖

Note: Charts have different scales.

Chart 1. Weekly Prices for 40-pound Block Cheddar, NASS, 1999–2000

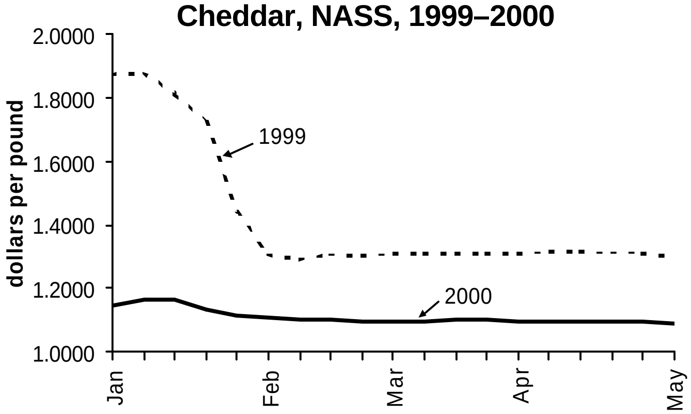


Chart 2. Weekly Prices for 40-pound Block Cheddar, NASS and CME, 2000

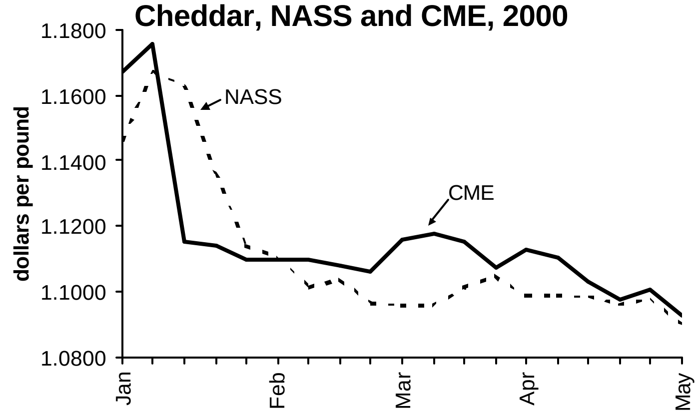


Chart 3. Weekly Prices for Grade AA Butter, NASS and CME, 2000

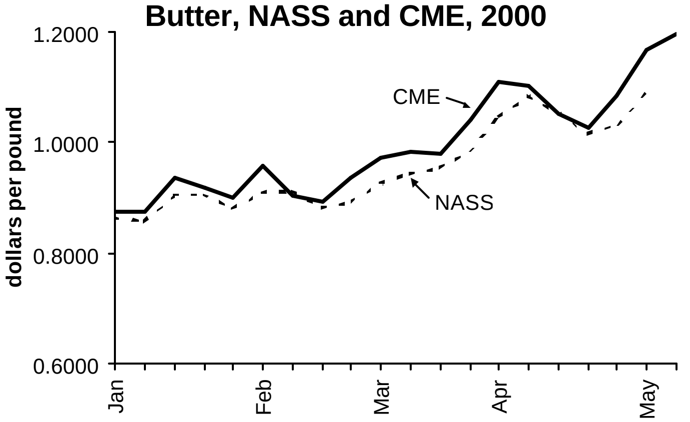
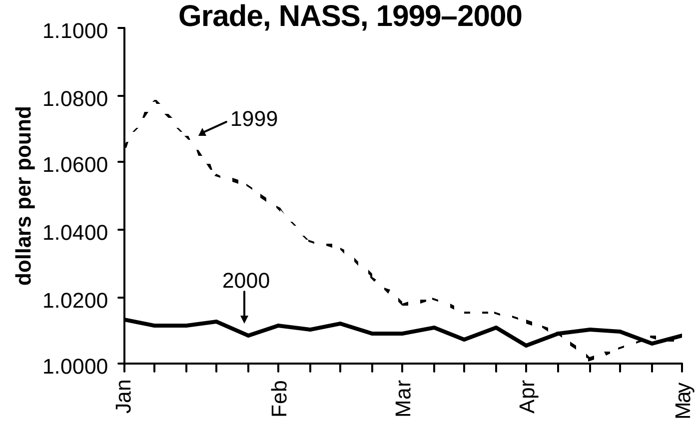


Chart 4. Weekly Prices for NFDM Extra Grade, NASS, 1999–2000



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Computation of Producer Price Differential and Statistical Uniform Price

		Product Pounds	Price per cwt/lb	Component Value	Total Value
Class I—	Skim	799,362,677	$10.95	87,530,213.20	
	Butterfat	16,717,188	1.0314	17,242,107.76	
Less:	Location Adjustment to Handlers			(2,348,399.00)	$102,423,921.96
Class II—	Butterfat	25,100,777	1.1422	28,670,107.54	
	Nonfat Solids	30,709,399	0.9333	28,661,082.11	57,331,189.65
Class III—	Butterfat	24,261,477	1.1352	27,541,628.69	
	Protein	18,734,212	1.7399	32,595,655.48	
	Other Solids	36,040,888	0.0408	1,470,468.24	61,607,752.41
Class IV—	Butterfat	11,816,121	1.1352	13,413,660.58	
	Nonfat Solids	24,236,844	0.8537	20,690,993.76	34,104,654.34
Total Classified Value					**$255,467,518.36**
Add:	Overage—All Classes				28,279.10
	Inventory Reclassification—All Classes				(25,155.03)
	Other Source Receipts	482,384			25,660.77
Less:	Producer Component Valuations				(201,772,075.48)
	Subtotal				**$53,724,227.72**
Add:	Location Adjustment to Producers				10,052,999.58
	One-half Unobligated Balance—Producer Settlement Fund				906,773.98
Total Pool Milk & Aggregate Value		2,091,857,818			64,684,001.28
Less:	Producer Settlement Fund—Reserve				(882,337.83)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$3.05**		63,801,663.45
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$12.46**		

* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.