



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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February Pool Price Calculation

The February 2001 statistical uniform price for the Northeast Marketing Area was announced at \$13.62 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The February producer price differential (PPD) at Suffolk County was \$3.35 per hundredweight.

The February statistical uniform price was 14 cents below January's price. February's PPD declined 42 cents from the previous month. A reduced value for Class I resulted from the combination of lower prices with less Class I utilization than during the previous month. Butterfat prices were higher than in January, but were not enough to offset the decline in the protein price. ❖

Composite Statistical Uniform Price for 2000

For the year 2000, the simple average statistical uniform price (SUP) paid to producers shipping milk to handlers regulated under the Northeast Order equaled \$13.04 per hundredweight. On a weighted average basis, which takes into account the differing volumes of milk pooled each month, the annual average equaled \$13.02 per hundredweight.

The table on page 2 shows the breakdown of components that make up the pool value. The top section (Total Classified Value) represents the contribution by class of the milk components priced in the respective classes. Class I skim was the greatest contributor to the total value of milk in the order during 2000, accounting for nearly 37 percent. The negative Class I location adjustment is made because only a portion of the Class I milk that is pooled is done so at plants located in the Suffolk County, Massachusetts, differential zone. For all classes, the volume of milk in each class together with the price of the components in the class determines the contribution to the overall classified value.

From the classified values generated by the minimum prices that handlers incur in buying milk, producers are paid on the volumes of butterfat, true protein, and other solids at the respective component prices. For 2000, protein accounted for nearly 51 percent of the total value of components to producers, butterfat represented 46 percent, and other solids about 3 percent. In addition, the location adjustment during 2000 averaged 48 cents per month. This adjustment represents the average added value that

(continued on Page 2)

Pool Summary

- A total of 17,154 producers were pooled under the order with an average daily delivery per producer of 3,951 pounds.
- Producer milk receipts totaled 1.898 billion pounds, an increase of 2.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.3 percent of total milk receipts, unchanged from January on a percentage basis.
- The average butterfat test of producer receipts was 3.75 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.70 percent.

Class Utilization

<u>Pooled Milk</u>	<u>Percent</u>	<u>Pounds</u>
Class I	43.3	822,261,209
Class II	16.1	304,994,717
Class III	31.3	594,507,344
Class IV	9.3	176,624,277
Total Pooled Milk		1,898,387,547

Producer Component Prices

Protein Price	\$1.4951 /lb
Butterfat Price	\$1.4626 /lb
Other Solids Price	\$0.1199 /lb

Class Price Factors

	<u>\$/cwt</u>
Class I	15.19
Class II	13.43
Class III	10.27
Class IV	12.70

Composite *(continued from page 1)*

producers across the Northeast Order received as a result of the Class I price differential structure.

Subtracting the producer value from the classified value, then adding the location adjustment, equals the producer price differential (PPD). For 2000, the PPD averaged \$3.28 per hundredweight at the Suffolk County, Massachusetts, differential. The average PPD would be lower for producers delivering milk to plants outside of this differential. Remember, the higher PPD in the Suffolk County differential zone is designed to help producers cover the added cost of hauling milk a farther distance to plants in this differential zone. By adding the PPD to the annual average Class III price of \$9.74 per hundredweight, the annual average statistical uniform price of \$13.02 per hundredweight is derived.

February 2001 Comparison

The table also shows the breakdown for February 2001. The proportions in the Total Classified Value section are fairly similar except for some decline in skim and protein values due to lower prices. The simple average protein price for 2000 was \$1.6938 per pound compared to \$1.4951 per pound in February 2001. Conversely, February's butterfat has contributed more value—up from an average of \$1.2522 per pound in 2000 to \$1.4626 per pound in February. This change is much more pronounced in the Total Producer

Value section. Due to a much higher butterfat price and lower protein price, the proportions have reversed. In addition, other solids have taken on greater importance (simple average equaled \$0.0509 per pound in 2000; February's value was \$0.1199 per pound). ❖

Milk Movements from Outside Northeast

The Northeast Milk Marketing Area covers the territory of the northeastern United States that includes New England, about two-thirds of New York State, and south into the tip of Virginia. Included in the marketing area are the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; the District of Columbia; most counties in Maryland; and numerous counties in New York, Pennsylvania, and Virginia.

The area that makes up the Northeast Order's milkshed is even more encompassing. The milkshed is the area from which milk is drawn to supply the marketing area. The milkshed usually includes producers physically located in the marketing area and in counties and states adjacent to the marketing area. During 2000, milk was pooled on a regular basis from neighboring states such as Maine and West Virginia. Recently, the milkshed has expanded with some handlers pooling milk from more distant states.

Beginning in August, milk was pooled on the Northeast Order from Idaho, Michigan, and Utah. In October, milk was pooled from Kentucky and Nevada. Milk came into the order from Wisconsin in November and from Minnesota in December. The accompanying table shows these additional

states and the corresponding months when pooling occurred. Individual state volumes are not shown as the data are restricted due to the number of handlers reporting. During January and February 2001, volumes totaling 64 million and 63.3 million pounds, respectively, were pooled from states outside of the Northeast including Idaho, Michigan, Minnesota, Nevada, Utah, Wisconsin, and Wyoming. ❖

Breakdown of Northeast Order Statistical Uniform Price, 2000

		Annual 2000		February 2001	
		(\$/cwt)	Percent of Classified Value	(\$/cwt)	Percent of Classified Value
Total Classified Value					
Class I	Skim	4.71	36.8	4.73	35.0
	Butterfat	1.11	8.7	1.13	8.4
	Location	(0.13)	(1.02)	(0.13)	(0.96)
Class II	Butterfat	1.57	12.3	1.76	13.0
	Nonfat Solids	1.37	10.7	1.29	9.5
Class III	Butterfat	1.36	10.6	1.61	11.9
	Protein	1.46	11.4	1.41	10.4
	Other Solids	0.08	0.6	0.21	1.6
Class IV	Butterfat	0.55	4.3	0.83	6.1
	Nonfat Solids	0.71	5.6	0.69	5.1
Total		12.79	100.0	13.53	100.0
Total Producer Value			Percent of Component Value		Percent of Component Value
Less:	Butterfat	4.62	46.2	5.49	51.4
	Protein	5.08	50.9	4.51	42.2
	Other Solids	0.29	2.9	0.68	6.4
	Subtotal	9.99	100.0	10.68	100.0
Add:	Loc. Adjust.	0.48		0.50	
Total		9.51		10.18	
PPD		3.28		3.35	
Class III		9.74		10.27	
Statistical Uniform Price		13.02		13.62	

Distant States Providing Milk to the Northeast Order, 2000

State	Aug	Sep	Oct	Nov	Dec
Idaho	X	X			X
Kentucky			X	X	
Michigan	X	X	X	X	X
Minnesota					X
Nevada			X	X	X
Utah	X	X	X	X	X
Wisconsin				X	X
Total Volume	15.5	2.7	2.5	15.6	59.4
(million lbs.)					

MARKET SITUATION

U.S. Milk Production Up 3 Percent in 2000

Total milk production in the United States equaled 167.7 billion pounds in the year 2000, an increase of 2.8 percent from 1999. The top ten milk producing states (see accompanying table) had a combined increase of 3.0 percent from the previous year. These states accounted for 70 percent of milk produced nationally in 2000. All percentages are adjusted for leap years.

Idaho had the largest percentage increase of all states during 2000 with growth of 11.6 percent. Since 1994, Idaho has experienced double-digit growth annually. This growth put Idaho into the top ten in 1995 and propelled it to number six in 1999 where it continues to close the gap on the number five ranked state, Minnesota. Colorado, one of the top twenty milk-producing states, had the second highest percentage increase in 2000 with 11.0 percent. This growth pushed Colorado to number nineteen, bumping Virginia to twenty. New Mexico's milk production grew 10.5 percent in 2000, the third highest gainer. During the early 1990s, New Mexico experienced consistent double-digit growth and rose from number 23 in 1990 to number 10 by 1999.

Nationally, 21 states showed decreases in production in 2000. The biggest losers were Delaware (13.0 percent), Rhode Island (9.3 percent), and Connecticut (8.3 percent). Of the top ten states, only New York and Minnesota showed declines when adjusted for leap year.

In the past 20 years, U.S. milk production has grown 30.6 percent, from 128 billion pounds to nearly 168 billion pounds. Since 1990, production jumped 13.2 percent. The accompanying chart shows year-to-year percent changes in milk production over the past 20 years. Only 5 years experienced declines in production, 3 of those were less than 1.0 percent. Two years had virtually no change, 1986 and 1991. Over the 20-year period, milk production averaged an annual increase of 1.3 percent. So far in 2001, January showed a decline of 1.5 percent from January 2000 in U.S. milk production. During January 2001, the top ten states,

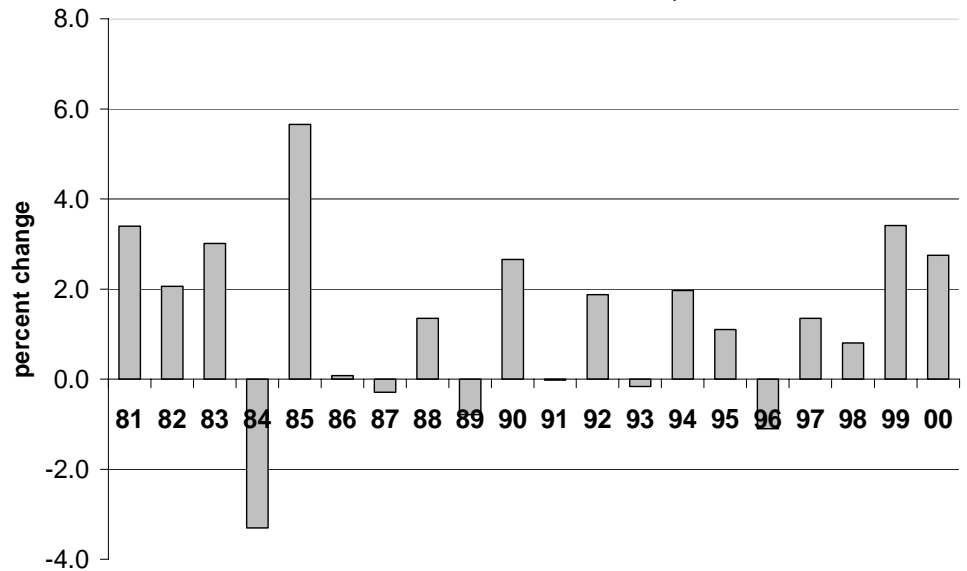
Top Ten States Ranked by Milk Production, 2000

Rank	State	1999	2000	1999-2000 change* percent
		million pounds		
1	California	30,459	32,240	5.6
2	Wisconsin	23,071	23,259	0.5
3	New York	12,082	11,920	(1.6)
4	Pennsylvania	10,931	11,156	1.8
5	Minnesota	9,478	9,493	(0.1)
6	Idaho	6,453	7,223	11.6
7	Texas	5,618	5,735	1.8
8	Michigan	5,455	5,705	4.3
9	Washington	5,535	5,593	0.8
10	New Mexico	4,724	5,236	10.5
Top Ten Total		113,806	117,560	3.0
US Total		162,716	167,658	2.8

* Adjusted for leap year.

Source: *Milk Production*, National Agricultural Statistics Service, USDA

U.S. Annual Milk Production Growth, 1981–2000



Source: *Milk Production*, National Agricultural Statistics Service, USDA

such as Minnesota, New York, Pennsylvania, Texas, Washington, and Wisconsin, all experienced drops in production. The remaining states showed increases, but not at the magnitude witnessed in recent years. It appears that milk production is finally slowing as a result of the past 2 years' lower prices from the high of 1998. ❖



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Computation of Producer Price Differential and Statistical Uniform Price

	<u>Product Pounds</u>	<u>Price per cwt/lb</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	805,401,745	\$11.14	89,721,754.39	
Butterfat	16,859,464	1.2677	21,372,742.51	
Less: Location Adjustment to Handlers			(2,486,951.46)	\$108,607,545.42
Class II— Butterfat	22,672,542	1.4696	33,319,567.68	
Nonfat Solids	25,572,018	0.9544	24,405,933.98	57,725,501.66
Class III— Butterfat	20,960,207	1.4626	30,656,398.76	
Protein	17,961,308	1.4951	26,853,951.61	
Other Solids	33,943,883	0.1199	4,069,871.56	61,580,221.93
Class IV— Butterfat	10,776,889	1.4626	15,762,277.82	
Nonfat Solids	15,043,212	0.8737	13,143,254.34	28,905,532.16
Total Classified Value				\$256,818,801.17
Add: Overage—All Classes				38,815.23
Inventory Reclassification—All Classes				48,262.06
Other Source Receipts	187,742			10,430.98
Less: Producer Component Valuations				(202,858,672.32)
Subtotal				\$54,057,637.12
Add: Location Adjustment to Producers				9,530,746.67
One-half Unobligated Balance—Producer Settlement Fund				805,855.49
Total Pool Milk & Aggregate Value	1,898,575,289			64,394,239.28
Less: Producer Settlement Fund—Reserve				(791,967.14)
Producer Price Differential @ Suffolk County, MA (Boston)		\$3.35		63,602,272.14
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$13.62		

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