

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 2002

Federal Order No. 1

To contact the Northeast Marketing Area offices:

Boston, MA: phone (617) 542-8966, e-mail address: MABoston@fedmilk1.com; Albany, NY: phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; Alexandria, VA: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; website address: www.fmmone.com

July Pool Price Calculation

The July 2002 statistical uniform price for the Northeast Marketing Area was announced at \$12.05 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 July producer price differential (PPD) at Suffolk County was \$2.72 per hundredweight.

The July statistical uniform price was 33 cents per hundredweight below June's price. The July PPD was 43 cents above the previous month's. Similar to last month, all class prices declined with the Class III price dropping the most due to another decline in the protein price. These changes caused an increase in the spread between the Class I, II, and IV prices and the Class III price, which resulted in a higher PPD. Producer component prices declined from the previous month and were reflected in the lower blend price. The July producer protein test averaged 2.88 percent, the lowest since the Northeast Order's inception. •

Hearing on Proposed Order Amendments

A public hearing to consider proposals that would amend certain pooling and related provisions of the Northeast Order will convene on September 10 in Alexandria, Virginia.

The proposal includes establishing marketwide service payments to offset the costs of balancing the market's Class I needs. To qualify for these payments, a handler must pool a quantity of milk equal to 3 percent of the total volume of milk pooled on the Order for the month or pools one million pounds of milk a day and either operates a plant which manufactures Class III or Class IV products which is located in the states of the marketing area or operates a pool distributing plant. Other requirements apply. Payments would equal 6 cents per hundredweight of qualified milk pooled during the month.

The proposal also includes modifying the pooling standards of the Order. Pooling proposals include establishing year-round shipping standards for supply plant pool qualification; adding a "touch-base" provision that would establish a standard that at (continued on page 2)

Pool Summary

- ➤ A total of 17,099 producers were pooled under the Order with an average daily delivery per producer of 4,128 pounds.
- ➤ Pooled milk receipts totaled 2.188 billion pounds, a decrease of 0.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.4 percent of total milk receipts, an increase of 1.3 percentage points from June.
- > The average butterfat test of producer receipts was 3.54 percent.
- > The average true protein test of producer receipts was 2.88 percent.
- The average other solids test of producer receipts was 5.70 percent.

Class Utilization		
Pooled Milk	Percent	<u>Pounds</u>
Class I	39.4	861,810,618
Class II	19.0	415,887,989
Class III	32.4	708,509,953
Class IV	9.2	201,829,186
Total Pooled Milk		2,188,037,746

Producer Component Prices 2002 2001 \$/lb Protein Price 1.8095 2.3175 Butterfat Price 1.0929 2.1883 Other Solids Price 0.0150 0.1510

_
_

Dairy Program Signup Begins August 13

Agriculture Secretary Ann M. Veneman announced that signup for the Milk Income Loss Contract (MILC) program will begin on August 13, 2002.

Eligible dairy producers are those who produced milk in any state and marketed the milk commercially beginning December 2001. To be approved for the program, producers must be in compliance with highly erodible and wetland conservation provisions and must enter into a contract with USDA's Commodity Credit Corporation (CCC) to provide monthly marketing data.

MILC payments will occur in months when the price of Class I milk in Boston, under the Northeast Milk Marketing Order, falls below \$16.94 per hundredweight. Payment rates will be 45 percent of the difference between \$16.94 and the Boston Class I price for that month. Dairy operations will not receive a payment for months during which the Class I price in Boston is \$16.94 or higher. A similar payment calculation will be applied from December 2001 through the month preceding the month the producer enters into a contract with CCC.

Program payments, scheduled to begin in October 2002, will be retroactive from December 2001 for eligible

production. Payments will be made on an operation-by-operation basis, up to a maximum of 2.4 million pounds of milk produced and marketed by the dairy operation per fiscal year. Producers can select the month they want to start receiving payments for eligible production. Once payments begin, they will continue each month the Boston Class I price is below \$16.94 until the production limit is reached. A farmer cannot decide to defer payments in later months in order to cash in on potentially higher payment rates even later.

As required by the 2002 Farm Bill, USDA will apply the same definition for a dairy operation as used in previous dairy market loss assistance programs. A dairy operation is any person or group of persons who as a single unit, as determined by CCC, commercially produces and markets cow milk and has production facilities located in the United States. Producers on dairy operations are not permitted to reconstitute a dairy operation for the sole purpose of receiving additional payments.

For more information and requirements, or to sign up for the program, dairy producers should visit their local USDA Farm Service Agency offices.

Dairy Plants Specifications Amended

The USDA recently amended its "General Specifications for Dairy Plants Approved for USDA Inspection and Grading Service" document. For all producer herd milk, including both cow's and goat's milk, changes included: lowering the maximum allowable bacterial estimate for producer herd milk from 1,000,000 per milliliter; modifying the follow-up procedure when producer herd milk exceeds the maximum allowable bacterial estimate; and lowering the maximum permitted bacterial estimate in commingled milk from 3,000,000 per milliliter to 1,000,000 per milliliter.

For producer herd milk for cow's milk only, USDA lowered the maximum allowable somatic cell count in cow's milk from 1,000,000 per milliliter to 750,000 per milliliter. In addition, USDA updated the animal drug residue monitoring provision and changed the keeping quality test temperature for whipped butter from 70°F to 72°F to align it with the keeping quality test temperature of butter.

USDA inspection and grading services assure the quality of dairy products and are offered to the dairy industry on a voluntary basis.

The revisions appeared in the July 29 Federal Register. Copies are available from Susan Sausville, Chief, Dairy Standardization Branch, Dairy Programs, Agricultural Marketing Service, USDA, Room 2746 South Building, Stop 0230, 1400 Independence Avenue, SW, Washington, DC 20250-0230 or at www.ams.usda.gov/dairy/stand.htm. •

Fluid Milk Promotion Order Amended

Effective August 1, 2002, the volume exemption level under the Fluid Milk Promotion Order was changed from 500 thousand pounds to 3 million pounds. The Order language now reads:

"The Order requires that all persons who process and market commercially more than 3,000,000 pounds of fluid milk products in consumer-type packages in the 48 contiguous states and District of Columbia on a monthly basis, excluding those fluid milk products delivered to a residence of a consumer, be assessed 20 cents per hundredweight on all marketings of such packaged fluid milk products during the month." •

Hearing (continued from page 1)

least 2 days' milk production of a dairy farmer be physically received at a pool plant in order to be eligible for diversion; establishing limits on the amount of milk that a pool plant may divert; eliminating the "split plant" provision; and revising certain reporting and payment date provisions. Testimony will be taken to determine if any of the proposals should be handled on an emergency basis.

The hearing will take place at the Embassy Suites Hotel Alexandria, 1900 Diagonal Road, Alexandria, VA, 22314; it will convene at 8:30 a.m. The hearing notice is available on our website at www.fmmone.com.❖

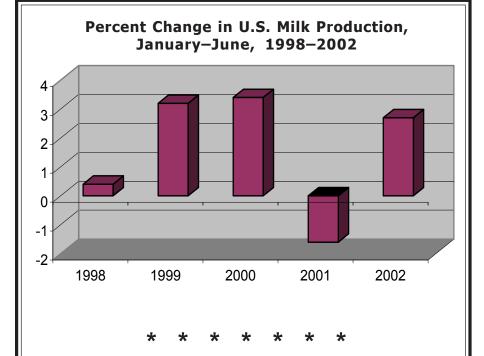
MARKET SITUATION

U.S. Milk Production Strong During First 6 Months

Total U.S. milk production increased 2.7 percent during the first 6 months of 2002 compared to the same period in 2001. Milk production per cow has been up during each month of 2002. Since April, total milk cows nationally are above last year. The accompanying chart shows national milk production changes during the January through June period for the past 5 years. Data has been adjusted for leap year in 2000.

The top ten milk producing states showed an equivalent percentage increase, while the top 20 states had a 2.6 percent gain during the 6-month period. The accompanying table shows the top ten states ranked by milk production and their corresponding percentage changes for 2002. It is interesting to note that even though three of the top ten (Minnesota, Pennsylvania, and Wisconsin) showed decreases during the first 6 months, the overall change was an increase of 2.7 percent. This was the result of strong increases in such states as New Mexico, Idaho, New York, and California. New Mexico's 15.7 percent increase helped it bump up to number displacing seven, Michigan. Minnesota's continued decline, combined with Idaho's strong growth, is closing the gap for the number five spot although the switch in positions is unlikely to occur this year.

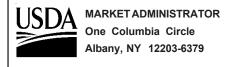
The national increase in milk production has caused milk prices to decline consistently since February. In addition, the abundance of milk has caused an increase in inventories of product. During the week ending July 26, the Commodity Credit Corporation (CCC) began purchasing cheese under the price support program. These purchases were the first since February 2001. CCC purchases of nonfat dry milk are well above the same period last year, and inventories of NFDM are nearly double those reported last year.



Top Ten States Ranked by Milk Production, January-June, 2002

				Percent		
Rank	State	2001	2002	Change		
		million pounds				
1	California	16,559	17,398	5.1		
2	Wisconsin	11,358	11,201	(1.4)		
3	New York	5,865	6,199	5.7		
4	Pennsylvania	5,518	5,500	(0.3)		
5	Minnesota	4,608	4,415	(4.2)		
6	Idaho	3,766	3,999	6.2		
7	New Mexico	2,720	3,147	15.7		
8	Michigan	2,948	2,972	0.8		
9	Washington	2,742	2,812	2.6		
10	Texas	2,768	2,802	1.2		
	Top Ten Total	58,852	60,445	2.7		
	US Total	83,948	86,206	2.7		

Source: National Agricultural Statistics Service, Milk Production.



RETURN SERVICE REQUESTED

PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Alexandria, VA
Permit 355

FIRST CLASS MAIL

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

Computation of Producer Price Differential and Statistical Uniform Price							
	Product Pounds	Price per cwt/lb	Component Value	Total Value			
Class I— Skim	844,022,818	\$10.10	85,246,304.62				
Butterfat	17,787,800	1.1768	20,932,683.04				
Less: Location Adjustment to Handlers			(2,503,058.64)	\$103,675,928.95			
Class II—Butterfat	28,598,543	1.0999	31,455,537.43				
Nonfat Solids	34,467,039	0.8389	28,914,399.01	60,369,936.44			
Class III- Butterfat	23,574,938	1.0929	25,765,049.75				
Protein	20,451,233	1.8095	37,006,506.14				
Other Solids	40,424,320	0.0150	606,364.93	63,377,920.82			
Class IV- Butterfat	7,568,429	1.0929	8,271,536.06				
Nonfat Solids	17,267,275	0.7633	13,180,111.01	21,451,647.07			
Total Classified Value Add: Overage—All Classes				\$248,875,433.28 45,352.78			
Inventory Reclassification—All Cl Other Source Receipts	65,543			(50,260.09) 2,785.57			
Less: Producer Component Valuations				(200,795,336.79)			
Subtotal				\$48,077,974.75			
Add: Location Adjustment to Producers One-half Unobligated Balance—F		d		11,256,923.30 1,182,782.48			
_		.					
Total Pool Milk & Aggregate Value Less: Producer Settlement Fund—Rese	2,188,103,289			60,517,680.53			
Less. Floudel Settlement Fund—Rese	erve			(1,001,271.03)			
Producer Price Differential @ Suffolk County, MA (Boston)		\$2.72		59,516,409.50			
Statistical Uniform Price @ Suffolk Co		\$12.05					
* Price at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.							