

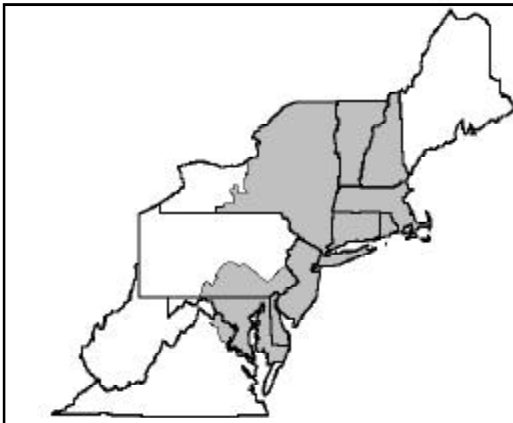
The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

November 2002

Federal Order No. 1



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November Pool Price Calculation

The November 2002 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$12.31 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 November producer price differential (PPD) at Suffolk County was \$2.47 per hundredweight.

The November statistical uniform price was 9 cents per hundredweight below October's price while the November PPD was 79 cents above the previous month's. The lower SUP, despite a higher PPD, was caused by the 88-cent decline in the Class III price for November. All other class prices were higher.❖

Payment Dates to Producers

The calendar below shows the dates for partial and final payments to producers that are not members of cooperatives. According to sections 1001.73(a)(1) and (2) of the Order, payment must be made so that it is received by a producer no later than the date shown. The table dates vary due to weekends and national holidays. Note that cooperatives are not required to follow this schedule.❖

Required Producer Payments Under the Northeast Order

Month Milk Produced	Payment Due			
	Partial		Final	
	Day	Date	Day	Date
January	Monday	1/27/03	Wednesday	2/19/03
February	Wednesday	2/26/03	Tuesday	3/18/03
March	Wednesday	3/26/03	Thursday	4/17/03
April	Monday	4/28/03	Monday	5/19/03
May	Tuesday	5/27/03	Tuesday	6/17/03
June	Thursday	6/26/03	Thursday	7/17/03
July	Monday	7/28/03	Tuesday	8/19/03
August	Tuesday	8/26/03	Wednesday	9/17/03
September	Friday	9/26/03	Friday	10/17/03
October	Monday	10/27/03	Tuesday	11/18/03
November	Wednesday	11/26/03	Wednesday	12/17/03
December	Friday	12/26/03	Tuesday	1/20/04

Pool Summary

- A total of 16,531 producers were pooled under the Order with an average daily delivery per producer of 3,974 pounds.
- Pooled milk receipts totaled 1.971 billion pounds, an increase of 3.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 47.2 percent of total milk receipts, a decrease of 1.3 percentage points from October.
- The average butterfat test of producer receipts was 3.82 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.68 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	47.2	930,134,165
Class II	17.4	341,847,676
Class III	29.6	583,512,163
Class IV	5.8	115,349,123
Total Pooled Milk		1,970,843,127

Producer Component Prices

	2002	2001
	\$/lb	
Protein Price	1.8469	1.8045
Butterfat Price	1.0923	1.4500
Other Solids Price	0.0850	0.1470

Class Price Factors

	2002	2001
	\$/cwt	
Class I	13.85	19.01
Class II	11.26	12.78
Class III	9.84	11.31
Class IV	10.58	11.97

Regional Dairy Outlook Conference Held

The 2002 Northeast Regional Dairy Outlook Conference was held November 19 at the Northeast Marketing Area's Albany office. The annual conference brings together economists and statisticians from the Northeast's market administrator offices, state and federal agricultural statistical services, university extension offices, and cooperatives to review regional production and price statistics for the past year and develop projections for the upcoming year. The Northeast region includes Delaware, Maryland, New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont), New Jersey, New York, and Pennsylvania.

Crop Situation

The consensus of the group was that erratic weather conditions during the 2002 growing season had a negative impact on the crop situation in the Northeast. Abnormally hot temperatures in April followed by a cold May delayed planting. Some early harvests were good, but both quality and quantity varied throughout the region.

Nationally, the situation is similar with lower crop yields and poorer quality than last year. It is expected that feed concentrate prices will be higher through 2003.

Production Estimates

Due to the poorer feed situation and depressed milk prices during 2002, milk production in 2003 is projected to grow at a slower rate than during 2002. Nationally, milk production is expected to finish the 2002-year with a 2.7 percent gain while the Northeast is estimating a 1.9 percent increase. For 2003, U.S. milk production is projected to increase 1.1 percent; the Northeast is expected to grow 0.4 percent. These increases are largely due to increases in milk production per cow, as the number of milk cows is expected to decline both nationally and in the Northeast.

Price Forecasts

As milk production tightens, it is expected that milk prices will begin to recover, but probably not until the second half of 2003 (see table). The statistical uniform price is predicted to average about \$12.65 per hundredweight for 2002. This is down dramatically from

Northeast Milk Marketing Area Statistical Uniform Prices, 2001—2003*

Month	2001	2002	2003
	Actual	Actual and Estimated	Estimated
	dollars per hundredweight		
January	13.76	13.81	12.39
February	13.62	13.48	12.45
March	14.50	13.05	12.59
April	15.24	12.94	12.70
May	16.32	12.63	12.85
June	17.08	12.38	13.01
July	17.21	12.05	13.43
August	17.53	12.16	13.70
September	17.76	12.20	13.92
October	16.04	12.40	14.11
November	15.28	12.31	14.03
December	13.72	12.35	13.79
Average	15.67	12.65	13.25

* Estimated prices for December 2002 and all of 2003.

All estimates are subject to change. Prices are reported at Suffolk County, Massachusetts (Boston).

the 2001 average of \$15.67 per hundredweight. Based on a tighter milk supply, the conference participants estimated that prices will increase about 4.5 percent during 2003 to an annual average of \$13.25 per hundredweight. Prices are reported at Suffolk County, MA (Boston); delivery to other locations would cause a variation in the price.

Most participants projected that the Class III price will be the mover for Class I prices for a majority of the year. This projection is based on the adoption of the amended Class III and IV prices taking effect sometime during the early part of 2003 and the recently implemented adjustments to the CCC support program purchase prices.

Dairy prices seem to be in a lingering recession. During much of the 1998-2001 period, demand was extremely strong. The events of September 11, 2001, hit restaurants hard, affecting the demand for high-fat products such as butter and cream. Even the demand for pizza, which has grown consistently for many years, has slowed. These factors combined with above average milk production have resulted in the current low prices. ❖

2002 Census of Agriculture

USDA's National Agricultural Statistics Service (NASS) will be conducting the 2002 Census of Agriculture. Farmers and ranchers will begin to receive census forms in late December to collect data for the 2002 calendar year. Everyone who receives a census form is required by law to return it, even those who did not operate a farm or ranch in 2002. Completed forms are to be returned by February 3, 2003. Results from the 2002 Census of Agriculture will be released on February 3, 2004.

The census asks basic questions about land use and ownership, crop acreage and quantities harvested, livestock and poultry inventories, value of crops and livestock sold,

and farm operator characteristics. Among other things, new questions will ask about multiple operators per farm, certified organic acreage, production contracts, computer and Internet use, grain storage capacity, and farm labor.

For census purposes, a farm is any place from which \$1,000 more of agricultural products were produced and sold, or normally would have been sold, during the census year. NASS has provided a toll-free number (1-888-4AG-STAT) for producers who need help completing their forms. Farmers and ranchers who do not receive a census report form by the end of January 2003 can call the toll-free number to ensure they are counted. ❖

MARKET SITUATION

"Tanker Load Per Day" Farms by State

During May 2002 (verified payroll data), there were 63 farm operations (defined as a single farm location) that marketed at least 1.5 million pounds of milk per month on the Northeast Order. This amount of milk roughly equates to a single tractor-trailer size load per day. In total, these farms marketed 136 million pounds (6.0 percent of the total pool) on the Order in May 2002. In May 2001, 53 farms marketed at least 1.5 million pounds of milk per month on the Northeast Order totaling 110 million pounds (5.0 percent of the total pool). See table.

These 63 farms in May 2002 represented 0.4 percent of the 17,121 farms pooled on the Northeast Order. As a comparison, 82 percent of farms pooled on the Northeast Order marketed between 30,000 and 249,999 pounds of milk during both May 2001 and 2002.

The greatest number of "large" farms pooled on the Order operate farms in New York. They total 40 farms, marketing a combined 84.9 million pounds. This is an increase from 32 farms in May 2001. Wyoming County, New York, is home to seven of these farms, more than any other county in the Order and up from six in May 2001.

Of all the farm-size ranges, the largest number of farms (3,774) pooled on the Northeast Order fall into the 70,000

Milk by State and Farm Size, May 2001 and 2002

State/Area	Pooled				Farms Marketing 1.5 Million Lbs. Or More On Northeast Order			
	2002		2001		2002		2001	
	No. of Farms	Million Pounds	No. of Farms	Million Pounds	No. of Farms	Million Pounds	No. of Farms	Million Pounds
ME	438	57	464	56	0	0	0	0
VT	1,473	241	1,508	232	6	10	6	10
Other New England ^{1/}	641	98	650	98	2	3	2	3
NJ	143	20	146	19	0	0	0	0
NY	6,459	923	6,386	860	40	85	32	65
PA	6,563	733	6,451	684	9	21	5	10
Other Inside Area ^{2/}	872	139	880	138	2	5	2	5
ID,MN,WI	475	64	826	99	4	12	6	17
Other Outside Area ^{3/}	57	7	62	8	0	0	0	0
Total	17,121	2,282	17,373	2,194	63	136	53	110

1/ Includes CT, NH, RI, and MA.

3/ Includes MI, ND, NV, SD, UT, and WV.

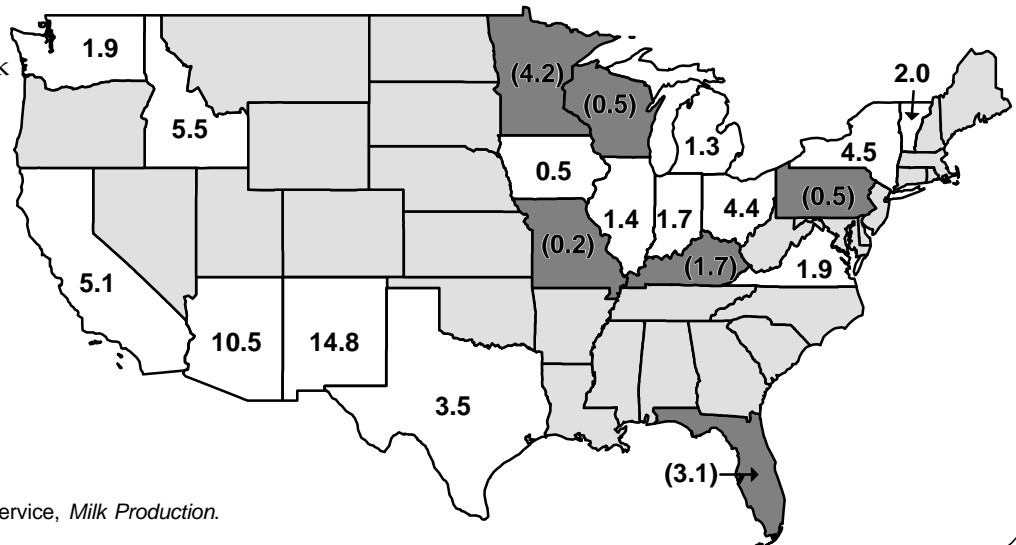
2/ Includes DE, MD, VA.

and 99,999 pounds category. This total represents 22.0 percent of all farms pooled on the Order. Those farms pooling between 100,000 and 149,999 pounds in the month represented the largest volume of milk pooled by size range. These farms pooled 382 million pounds, or 16.7 percent of the total May 2002 Northeast pool.

Farms marketing less than 100,000 pounds of milk per month declined by 493 farms from May 2001 to May 2002, while the number of farms marketing 100,000 pounds of milk or more increased by 241 farms during the same period. ❖

January–October 2002 Milk Production in the Top 20 Milk Producing States (% Change from 2001)

- In total, the top 20 states' milk production is up 2.7 percent from 2001.
- Estimated total U.S. milk production is up 2.8 percent from last year.
- The Northeast Region's milk production is up about 2.1 percent.



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



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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	910,041,792	\$10.45	95,099,367.26	
Butterfat	20,092,373	1.0748	21,595,282.50	
Less: Location Adjustment to Handlers			(2,776,896.43)	\$113,917,753.34
Class II— Butterfat	26,312,017	1.0993	28,924,800.28	
Nonfat Solids	28,746,437	0.8533	24,529,334.68	53,454,134.96
Class III— Butterfat	21,254,680	1.0923	23,216,486.96	
Protein	17,931,417	1.8469	33,117,534.04	
Other Solids	33,165,225	0.0850	2,819,044.29	59,153,065.29
Class IV— Butterfat	7,675,246	1.0923	8,383,673.39	
Nonfat Solids	9,822,610	0.7777	7,639,043.80	16,022,717.19
Total Classified Value				\$242,547,670.78
Add: Overage—All Classes				115,668.16
Inventory Reclassification—All Classes				(4,776.88)
Other Source Receipts	205,509			7,579.34
Less: Producer Component Valuations				(203,794,843.41)
Subtotal				\$38,871,297.99
Add: Location Adjustment to Producers				9,323,483.66
One-half Unobligated Balance—Producer Settlement Fund				1,360,877.92
Total Pool Milk & Aggregate Value	1,971,048,636			49,555,659.57
Less: Producer Settlement Fund—Reserve				(870,758.24)
Producer Price Differential @ Suffolk County, MA (Boston)		\$2.47		48,684,901.33
Statistical Uniform Price @ Suffolk County, MA (Boston)		\$12.31		

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