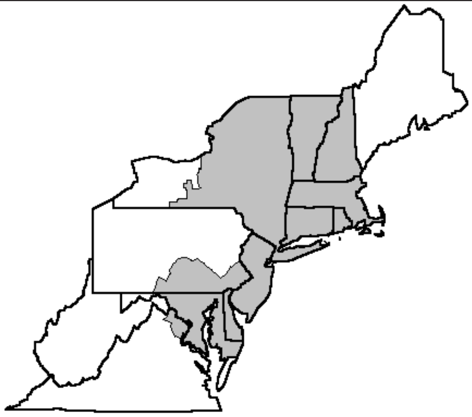

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

June 2004 Federal Order No. 1

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June Pool Price Calculation

The June 2004 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $19.70 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 June producer price differential (PPD) at Suffolk County was $2.02 per hundredweight.

June's statistical uniform price was 14 cents per hundredweight below the May price. The June PPD was positive, following 2 months of negative values. The June Class I price was $1.48 per hundredweight above May's due to the lag in the pricing formula. All other class prices declined as commodity market prices fell during June. The spread between the class prices was back to its more 'normal' pattern. The class valuation of milk was higher than the producer payout (see circled items on page 4), partially due to the class prices, but also due to a decline in both producer component tests and pay prices.

As is required under the Order, milk that was depooled in April had to remain out of the pool for May and June. Depooled milk totaled approximately 200 million pounds in June. Most of this milk would have been included as Class III utilization, which was valued much lower than in the past 2 months. As a result, depooling had a positive impact in June—increasing the uniform price about 18 cents per hundredweight. Combined with the reductions in the SUP of 31 cents in April and 13 cents in May, depooling had an overall impact of reducing the SUP by 26 cents per hundredweight during the past 3-month period.❖

Market Prices Peak as Demand Softens

After reaching $2.20 per pound the week ending April 23, an all time high, the weekly average price for 40 lb. block Cheddar cheese on the Chicago Mercantile Exchange (CME) has dropped to $1.3625 per pound for the week ending July 9. In fact, it is the first time this year that the weekly average price has been below the same week the previous year. The weekly cheese price has averaged about $0.60 per pound above previous year levels through the first half of 2004. Analysts speculated that buyers are waiting for prices to bottom-out before ordering more aggressively for summer and fall needs.

Butter prices peaked at an average of $2.3425 per pound for the week ending April 19 and have trended downward since, finishing the week of

(continued on page 3)

Pool Summary

- A total of 14,049 producers were pooled under the Order with an average daily delivery per producer of 4,234 pounds.
- Pooled milk receipts totaled 1.785 billion pounds, a decrease of 2.7 percent from last month on an average daily basis. Approximately 215 million pounds of milk were depooled during June.
- Class I usage (milk for bottling) accounted for 45.8 percent of total milk receipts, an increase of 1.0 percentage point from May.
- The average butterfat test of producer receipts was 3.55 percent; a record low for June.
- The average true protein test of producer receipts was 2.96 percent.
- The average other solids test of producer receipts was 5.69 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.8	818,054,434
Class II	22.2	396,137,170
Class III	18.1	322,430,376
Class IV	13.9	248,129,406
Total Pooled Milk		1,784,751,386

Producer Component Prices

	2004	2003
	$/lb	
Protein Price	3.1086	1.9434
Butterfat Price	2.1768	1.1576
Other Solids Price	0.1339	(0.0200)

Class Price Factors

	2004	2003
	$/cwt	
Class I	24.38	12.99
Class II	14.31	10.46
Class III	17.68	9.75
Class IV	13.72	9.76

Container Survey Completed

The results from the November 2003 container sales survey for the Northeast Milk Marketing Area were recently released. The survey is conducted biennially and records packaged sales data for the month of November. Information is collected from handlers operating plants regulated under Federal Order No. 1 that sell fluid packaged milk products on routes.

Packaged sales totaled 882.5 million pounds in November 2003. Packaged sales include whole, reduced fat (2%), low fat (1%), fat free (skim), flavored milk and drinks (low fat and skim), buttermilk, and eggnog. Data are collected for three container types (glass, paper, and plastic) and for seven container sizes (gallon, half-gallon, quart, pint, half-pint, 6-gallon, and 5-gallon). In addition, data are collected for self-serve round containers, such as chugs.

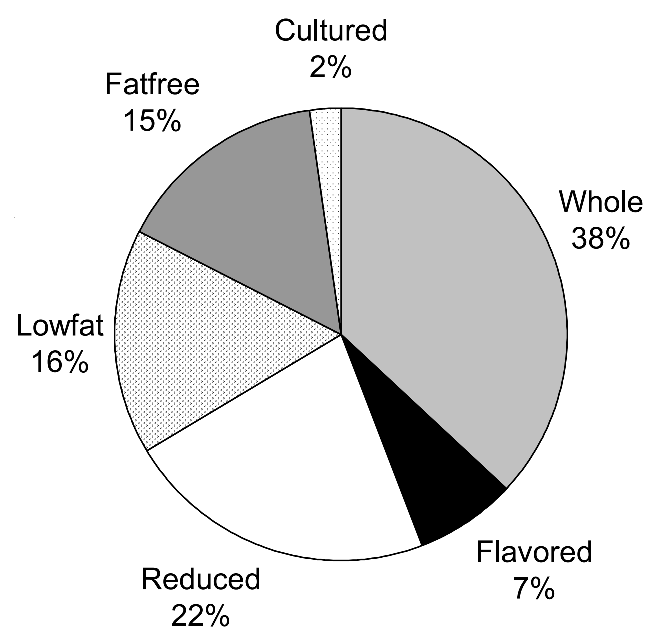
The survey also records the method of distribution by handler. All data are based on sales volume in pounds unless otherwise noted.

Container Type

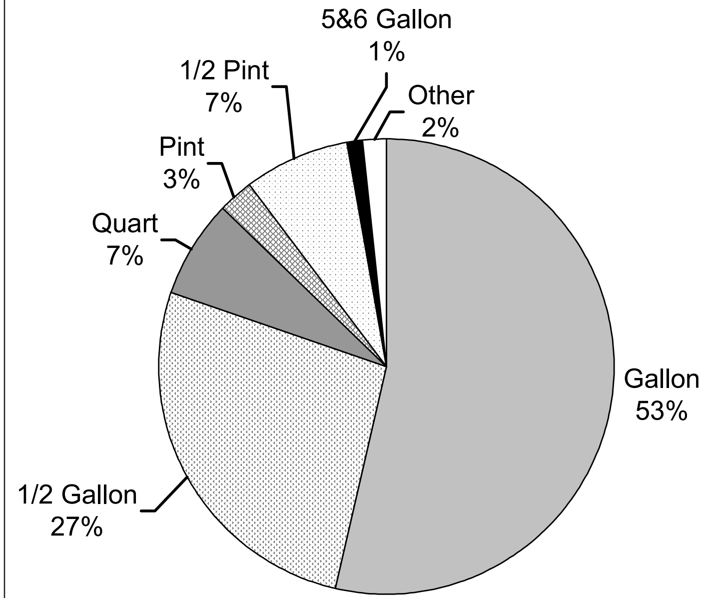
More than three-quarters (75.9 percent) of all route sales were sold in plastic containers. Paper containers accounted for 23.9 percent, while glass held only 0.2 percent. This trend has accelerated over the years with plastic replacing paper; glass is practically nonexistent, mainly associated with a tiny niche home delivery segment.

Over half of the handlers surveyed reported sales in single serve plastic containers with most in 16-ounce (1 pint) and 8-ounce (half-pint) size containers. Total volume neared 19 million pounds during the month surveyed.

Sales by Product Type



Sales by Container Size



Container Size

Sales in gallon containers accounted for 53.5 percent of total sales (see chart). This was down slightly from the last survey in November 2001 when gallons made up 54.4 percent of the total. Half-gallon containers had 26.9 percent (up from 25.2 percent in 2001); quarts equaled 6.8 percent, pints had 2.6 percent, and half-pints accounted for 7.4 percent. Sales in 6-gallon and 5-gallon reported 0.4 percent and 0.7 percent, respectively. The remaining 1.7 percent was sold in other unidentified sizes.

All gallon containers were made of plastic, as were the 6 and 5-gallon sizes. No other glass containers besides half-gallons, quarts, and half-pints were reported.

Product Type

Whole milk sales accounted for 36.9 percent of the total sales in November 2003 (see chart). Reduced fat had 22.0 percent, low fat had 16.1 percent, and fat free had 15.3 percent. Flavored milk and drinks accounted for a combined 7.4 percent, buttermilk held 0.4 percent, and eggnog had 1.9 percent of total sales that month.

Method of Distribution

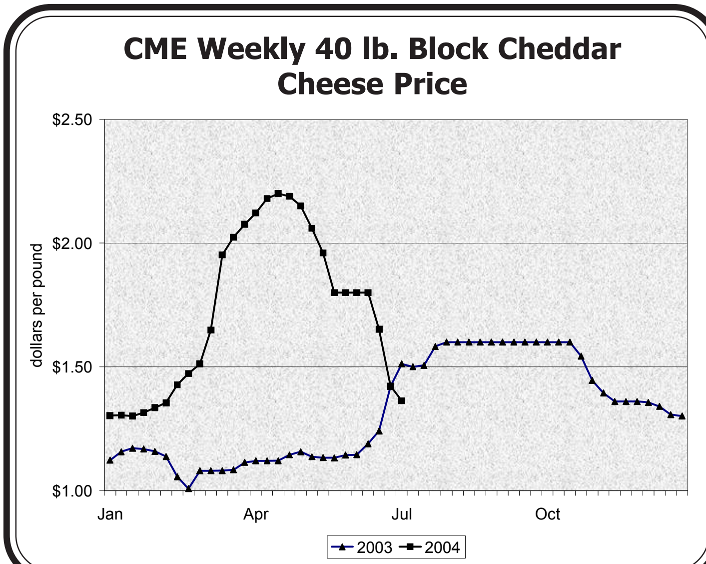
In the Order No. 1 area, wholesale deliveries accounted for 99.8 percent of total sales in the 2003 survey; home deliveries made up the remaining 0.2 percent. Of the wholesale total, 46.8 percent were to supermarkets; 18.4 percent to dairy and convenience stores; 7.6 percent to institutions such as schools and military; and 27.2 percent to other wholesales establishments such as superstores/hypermarkets and wholesales clubs. ❖

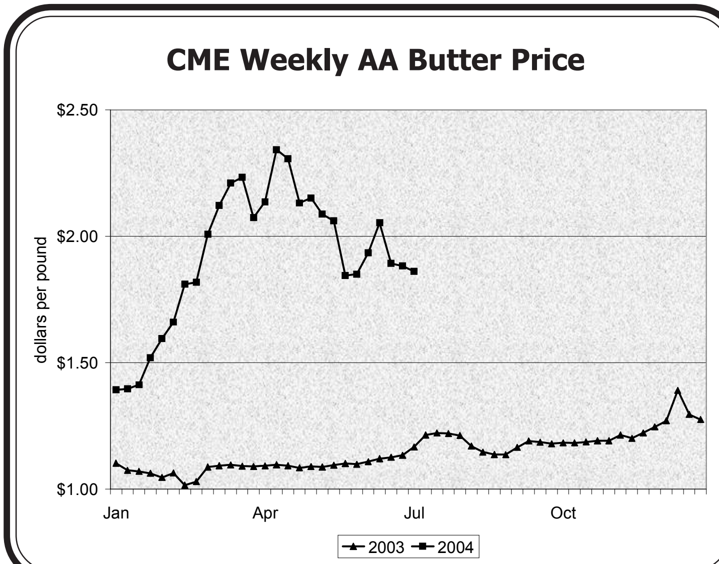
Market Prices Peak *(continued from page 1)*

July 9 at $1.8613 per pound. Though dropping, the current average weekly butter price is about $0.70 per pound higher than at this time last year and has averaged about $0.80 per pound higher for the first half of the year.

Higher retail prices have been cooling demand across all product lines. The Consumer Price Index (CPI) for dairy products rose 6.8 percent in May, following a 1.6 percent rise in April. According to *Dairy Market News*, retail sales of cheese have been slow due to the markets delay in reflecting the decline in CME prices. Retail demand for packaged butter is slow to fair and has been fair for food service.

High retail prices have even been impacting fluid milk sales. Fluid milk sales dropped off in May 6.9 percent from a year ago due to higher retail prices, marking the largest year-over-year decline in at least 8 years. In fact, through the first 5 months of 2004, fluid milk sales in federal orders and California were down 2.1 percent vs. last year, a pace that would result in the biggest single year drop since 1974. However, considering that the June Class I price (the basis for retail fluid milk product prices) was 88 percent above the level of the prior year, the decrease in retail sales is quite small and reflects the inelastic nature of fluid milk.❖





Pool Summary for All Federal Orders, January–June, 2003–2004

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2003	2004**	Change**	2003	2004	2003	2004
		pounds		percent	dollars per hundredweight			
1	Northeast	12,397,934,583	11,500,888,948	(7.2)	2.12	0.7	11.69	16.65
5	Appalachian	3,284,786,402	3,136,428,881	(4.5)	N/A	N/A	12.29	17.00
6	Florida	1,513,134,462	1,523,588,413	0.7	N/A	N/A	13.37	18.40
7	Southeast	3,690,872,186	3,763,691,525	2.0	N/A	N/A	12.12	16.83
30	Upper Midwest	11,244,488,942	8,212,841,160	(27.0)	0.47	(0.8)	10.04	15.20
32	Central	9,106,326,065	5,649,631,774	(38.0)	0.80	(0.7)	10.37	15.31
33	Mideast	8,744,275,762	7,563,007,988	(13.5)	1.07	(0.4)	10.64	15.58
124	Pacific Northwest	3,716,933,088	3,243,321,171	(12.7)	0.81	(1.1)	10.38	14.91
126	Southwest	5,374,074,779	4,210,861,415	(21.6)	1.80	0.1	11.37	16.07
131	Arizona-Las Vegas	1,634,258,852	1,527,371,082	(6.5)	N/A	N/A	10.53	15.77
135	Western^	3,224,794,544	1,096,283,946	N/A	0.60	0.5	10.17	13.12
	All Market Total/Average	63,931,879,665	51,427,916,303	(19.6)	1.10	(0.4)	11.18	16.13

Price at designated order location. * Price at 3.5% butterfat.

** A significant amount of milk was depooled during April, May, and June.

^ The Western Milk Marketing Order was terminated effective April 1, 2004; pounds for 2004 are only January–March total; Uniform Price is average for January–March 2004.

N/A = Not applicable; order prices on skim and butterfat basis.

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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	801,407,999	$16.23	130,068,518.24	
	Butterfat	16,646,435	2.4905	41,457,946.37	
Less:	Location Adjustment to Handlers			(2,546,480.66)	$168,979,983.98
Class II—	Butterfat	26,844,766	2.1838	58,623,600.00	
	Nonfat Solids	33,087,367	0.7678	25,404,480.38	84,028,080.38
Class III–	Butterfat	12,087,768	2.1768	26,312,653.38	
	Protein	9,553,926	3.1086	29,699,334.40	
	Other Solids	18,290,792	0.1339	2,449,137.08	58,461,124.86
Class IV–	Butterfat	7,726,267	2.1768	16,818,537.98	
	Nonfat Solids	21,530,332	0.7026	15,127,211.26	31,945,749.24
Total Classified Value				***Total value of milk in the pool*** →	**$343,414,938.46**
Add:	Overage—All Classes				50,284.53
	Inventory Reclassification—All Classes				(112,839.15)
	Other Source Receipts	41,976			2,371.65
Less:	Producer Component Valuations			***Total value of producer components*** →	(315,658,112.57)
	Subtotal				**$27,696,642.92**
Add:	Location Adjustment to Producers				8,171,309.19
	One-half Unobligated Balance—Producer Settlement Fund				906,112.11
Total Pool Milk & Aggregate Value		1,784,793,362			36,774,064.22
Less:	Producer Settlement Fund—Reserve				(721,238.39)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$2.02**		36,052,825.83
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$19.70**		

Positive value from which PPD per hundredweight is calculated

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