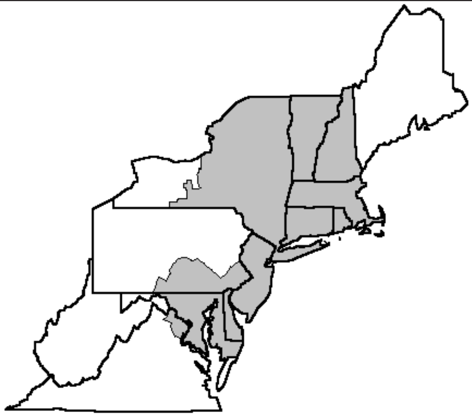

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 2004 Federal Order No. 1

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July Pool Price Calculation

The July 2004 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.64 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 $2.79 per hundredweight.

July's statistical uniform price was $2.06 per hundredweight below the June price; the July PPD was 77 cents above last month's. The July Class I price was $3.18 per hundredweight below June's record high. All other class prices declined as commodity market prices continued to fall during July. The spread between the class prices was back to its more 'normal' pattern.

Milk that was depooled in April, May, and June was included in the July pool. The price relationship in July did not favor depooling. The situation was similar in June, but the producers that were depooled in April had to remain out until at least July.

The producer protein test averaged 2.96 percent (unchanged from June) and was the highest for the month of July since the Order's inception.❖

Utilization of Milk by Product

During the first half of 2004, the utilization of milk pooled under Order No. 1 has changed little in some categories and greatly in others, when compared to the same period in 2003. Pool handlers must report how milk they receive at their plants is used. Based on the product in which the milk is used, it is classified into one of four classes. Class I products include those used for fluid drinking; Class II includes the 'soft' products (ice cream, cottage cheese, ricotta cheese, and yogurt); Class III mainly includes the 'hard' cheeses (American, Italian, and Swiss); and Class IV includes butter, dry, and condensed products. The accompanying table shows changes by volume and percent for selected products in each class. All percentages are adjusted for leap year.

For the 6-month period, total sales in the marketing area were down slightly (0.5 percent). Sales out of the marketing area were up 5.8 percent, and total Class I utilization increased 0.2 percent. Class II utilization grew 3.3 percent; the main increases were in cottage cheese (22.5 percent) and packaged cream (18.0 percent). Milk used in making ricotta cheese dropped 8.7 percent while milk used in sour cream products (aerated cream and dips)
(continued on page 2)

Pool Summary

- A total of 15,340 producers were pooled under the Order with an average daily delivery per producer of 4,197 pounds.
- Pooled milk receipts totaled 1.996 billion pounds, an increase of 8.2 percent from last month on an average daily basis. There was no known depooling of milk during July.
- Class I usage (milk for bottling) accounted for 43.4 percent of total milk receipts, a decrease of 2.4 percentage points from June, but the total volume was higher.
- The average butterfat test of producer receipts was 3.55 percent.
- The average true protein test of producer receipts was 2.96 percent.
- The average other solids test of producer receipts was 5.67 percent.

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.4	865,366,308
Class II	19.2	383,025,504
Class III	25.0	499,088,940
Class IV	12.4	248,513,606
Total Pooled Milk		1,995,994,358

Producer Component Prices

	2004	2003
	$/lb	
Protein Price	2.3625	2.5480
Butterfat Price	2.0543	1.2055
Other Solids Price	0.1048	(0.0124)

Class Price Factors

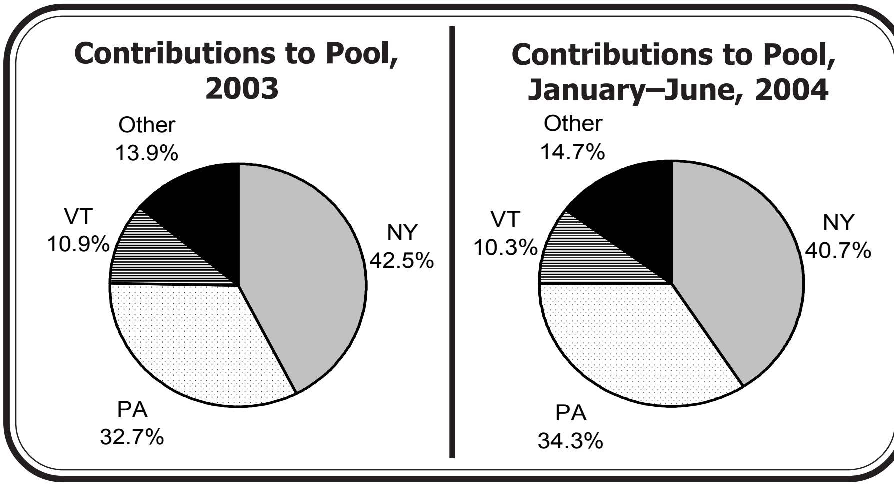
	2004	2003
	$/cwt	
Class I	21.20	13.02
Class II	14.00	10.63
Class III	14.85	11.78
Class IV	13.31	9.95

Pooled Receipts by State

In the Northeast Marketing Area milkshed, New York, Pennsylvania, and Vermont are the three largest contributing states based on the volume of producer milk receipts. Other states containing producers shipping to handlers regulated under the Order include Massachusetts, Maine, Rhode Island, Connecticut, Delaware, Virginia, West Virginia, New Jersey, New Hampshire, Maryland, and at times states located in the West and Upper Midwest. The milkshed is the area that milk is drawn from, whereas the marketing area is the area where a majority of fluid milk sales occur as is defined in the Northeast Order language.

During 2003, New York accounted for 42.5 percent of all the milk pooled in Order No. 1; Pennsylvania had 32.7 percent; and Vermont contributed 10.9 percent. All the other states combined for the remaining 13.9 percent (see charts). For the first quarter of 2004 the percentages were relatively unchanged with New York holding 41.9 percent, Pennsylvania averaging 33.2 percent, and Vermont accounting for 10.8 percent. During the second quarter of 2004, large quantities of milk were depooled due to disadvantageous price relationships, mainly during April and May. Most of the depooled milk came from producers located in New York and Vermont. As such, New York's contribution to total pooled receipts dropped to 39.5 percent and Vermont's declined to 9.7 percent. Pennsylvania's total receipts declined, but not at the same proportion; consequently, the state's contribution of total pooled receipts increased to 35.5 percent.

Beginning with July, it is anticipated that all milk depooled will be back on the Order. As a result, the percentages held by the top contributing states should return to their past levels. ❖



Utilization of Milk *(continued from page 1)*

increased 8.2 percent. Utilization of milk used in ice cream declined 0.9 percent.

Overall, Class III utilization dropped 21.0 percent largely due to depooling during April, May, and June (for more information, see the April, May, and June *Bulletins*). Nearly all of the milk depooled would have been Class III. Depooled milk means the milk was not part of the federal order pool, but the product was still made at the plant with "non pool" milk. Within Class III, the category that includes Swiss and other cheeses and the category that includes condensed products had the largest decreases.

Class IV usage declined 5.2 percent during the comparison period. Producer receipts used in making butter dropped 20.2 percent, and milk used in dry products declined 17.6 percent. A large increase occurred in the category containing condensed products. In April 2004, a change was instituted that reclassified milk used to produce evaporated milk or sweetened condensed milk from Class III to Class IV. The amount of milk classified for animal feed or dumped increased 12.8 percent; milk in this category is priced at the minimum class price for that month.❖

Utilization of Milk by Selected Products

Class	Product*	January-June 2003	January-June 2004	2003-04 Change
		million pounds	million pounds	percent
I	Whole Milk	1,836.1	1,783.1	(3.4)
	Fluid Sales in Area	5,076.3	5,076.8	(0.5)
	Out of Area Sales	711.0	756.5	5.8
	Total	5,787.3	5,833.2	0.2
II	Cottage Cheese	279.2	343.9	22.5
	Ice Cream	686.4	688.1	(0.3)
	Ricotta Cheese	139.7	128.3	(8.7)
	Total	2,358.5	2,449.9	3.3
III	Condensed Products	147.7	109.1	(26.6)
	American Cheese	1,060.7	917.9	(13.9)
	Swiss and Other Cheeses	162.6	117.3	(28.2)
	Total	3,590.0	2,852.1	(21.0)
IV	Condensed Products	30.0	95.8	217.3
	Butter	129.9	104.3	(20.2)
	Dried Products	1,317.3	1,091.1	(17.6)
	Total	1,944.4	1,852.8	(5.2)

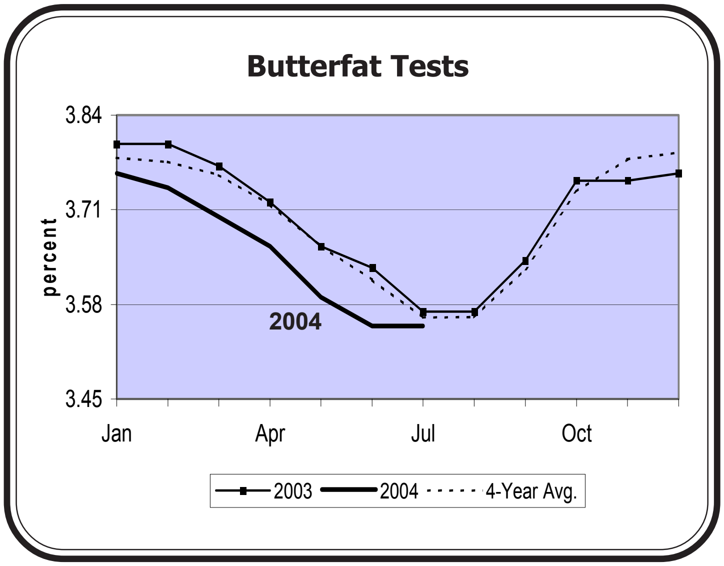
* Categories contain additional products not listed.

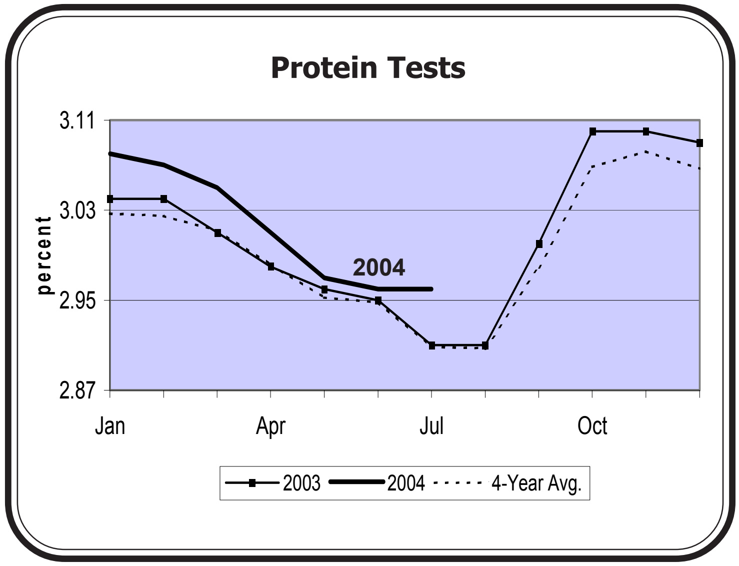
Component Levels and Prices

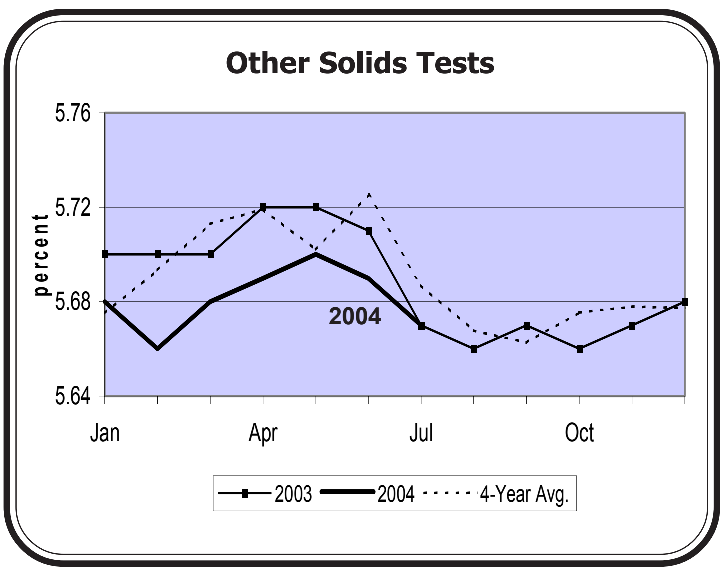
Through the first 7 months of 2004, butterfat levels in the Northeast Order have been averaging 0.06 percentage points lower than in the previous year and 0.05 percentage points lower than the average for the previous 4 years. In fact, average butterfat levels established new lows in each month between February and June of 2004. Of the 5 months in 2004 that saw record low butterfat levels, 4 coincided with record high butterfat prices for those same months. Butterfat prices for the first 7 months of the year, averaging $2.1274 per pound, have been $0.97 higher than for the same period in the previous year and $0.76 higher for the 4-year average of the same period.

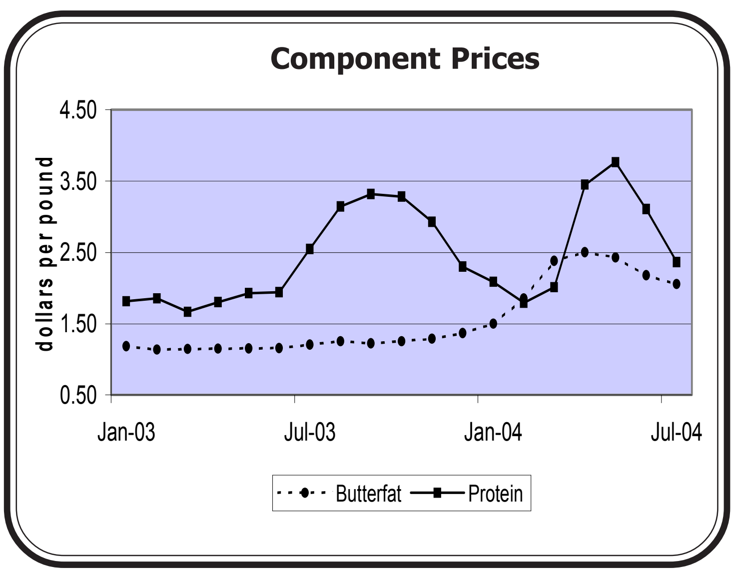
Through the first 7 months of 2004, protein levels in the Northeast Order have been averaging 0.03 percentage points higher than in the previous year and 0.04 percentage points higher than the previous 4-year average for that period. Average protein levels reached new highs during the first 4 months of 2004 and in July, but had been establishing new highs each month since September 2003. Record high protein levels have coincided with record high producer protein prices. Except for February 2004, the protein price hit a new high for that month each month since July 2003. Protein prices for the first 7 months of the year, averaging $2.6533 per pound, have been $0.72 higher than for the same period in the previous year and $0.76 higher for the 4-year average of the same period.

Through the first 7 months of 2004, other solids levels in the Northeast Order have been averaging $0.02 per pound lower than in 2003 and the previous 4-year average. The other solids price has averaged about $0.07 per pound higher over the first 7 months of 2004 than the same period in the previous year, but just $0.02 per pound higher than the 4-year average for that period.❖









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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	847,638,573	$14.20	120,364,677.37	
	Butterfat	17,727,735	2.1413	37,960,398.96	
Less:	Location Adjustment to Handlers			(2,676,183.63)	$155,648,892.70
Class II—	Butterfat	28,284,360	2.0613	58,302,551.22	
	Nonfat Solids	31,722,526	0.7811	24,778,465.06	83,081,016.28
Class III–	Butterfat	17,895,152	2.0543	36,762,010.75	
	Protein	14,751,466	2.3625	34,850,338.47	
	Other Solids	28,262,550	0.1048	2,961,915.24	74,574,264.46
Class IV–	Butterfat	6,853,481	2.0543	14,079,105.99	
	Nonfat Solids	21,636,522	0.7042	15,236,438.79	29,315,544.78
Total Classified Value					**$342,619,718.22**
Add:	Overage—All Classes				40,774.12
	Inventory Reclassification—All Classes				80,982.59
	Other Source Receipts	127,800			7,789.21
Less:	Producer Component Valuations				(296,602,354.71)
	Subtotal				**$46,146,909.43**
Add:	Location Adjustment to Producers				9,846,232.71
	One-half Unobligated Balance—Producer Settlement Fund				579,922.10
Total Pool Milk & Aggregate Value		1,996,122,158			56,573,064.24
Less:	Producer Settlement Fund—Reserve				(881,255.99)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$2.79**		55,691,808.25
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$17.64**		

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