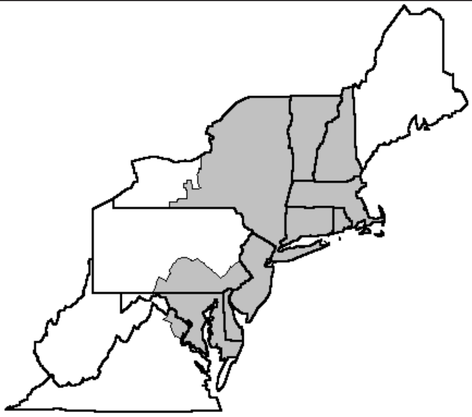

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2004 Federal Order No. 1

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October Pool Price Calculation

The October 2004 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.07 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 October producer price differential (PPD) at Suffolk County was $1.91 per hundredweight.

October's statistical uniform price was 1 cent per hundredweight higher than the September price; the October PPD was 57 cents above last month's. All class prices decreased from the previous month except the Class I price which increased 84 cents per hundredweight. The producer protein test averaged 3.11 percent, a new record high under the Order.❖

Producer Receipts Decline

For the months of August–October 2004, U.S. milk production increased a combined 1.3 percent compared to the same period in 2003. In contrast, milk production in the combined states of New York, Pennsylvania, and Vermont declined 1.3 percent during the same 3-month period in 2004. These states are the top three milk producing states in the Northeast Order and account for over 86 percent of milk pooled on the Order. Milk pooled on an order does not necessarily represent all milk produced in a particular state.

Total producer milk receipts pooled on the Northeast Order decreased 4.2 percent during the August–October period in 2004 compared to last year. The larger decrease in pooled receipts compared to the decline in the top three milk producing states indicates that some of the milk normally pooled on the Northeast Order was pooled elsewhere during those months. Cooperatives have the ability to move pool producers between orders as their supply commitments and price relationships change.

For example, the amount of milk pooled in the neighboring Mideast Order (Order 33) that came from producers located in New York and Pennsylvania increased a combined 57 million pounds during September 2004 compared to the previous year. Conversely, the volume from these two states pooled on the Northeast Order declined 77 million pounds during that same month compared to the previous year. Some of the Mideast's increase was due to milk coming back on the Mideast Order that had been depooled during September 2003. It is likely some of the additional milk pooled on the Mideast Order in 2004 was from farms that had been pooled on the Northeast Order during September 2003.❖

Pool Summary

- A total of 15,194 producers were pooled under the Order with an average daily delivery per producer of 3,883 pounds.
- Pooled milk receipts totaled 1.830 billion pounds, a decrease of 1.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 50.8 percent of total milk receipts, a new record under the Order. This was a decrease of 0.3 percentage points from September.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 3.11 percent.
- The average other solids test of producer receipts was 5.65 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	50.8	929,646,827
Class II	20.1	367,516,930
Class III	23.5	430,596,218
Class IV	5.6	101,972,034
Total Pooled Milk		1,829,732,009

Producer Component Prices

	2004	2003
	$/lb	
Protein Price	2.3814	3.2815
Butterfat Price	1.9020	1.2553
Other Solids Price	0.0677	0.0311

Class Price Factors

	2004	2003
	$/cwt	
Class I	18.03	17.52
Class II	13.57	10.84
Class III	14.16	14.39
Class IV	12.81	10.16

Regional Dairy Outlook Conference Held

The 2004 Northeast Regional Dairy Outlook Conference was held November 9 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.

Northeast Milk Marketing Area
Statistical Uniform Prices, 2003–2005*

Month	2003 Actual	2004 Actual and **Estimated**	**2005 Estimated**
January	12.19	13.58	**14.57**
February	11.79	13.95	**14.23**
March	11.43	15.56	**14.18**
April	11.45	17.28	**14.27**
May	11.60	19.84	**14.29**
June	11.66	19.70	**14.60**
July	12.46	17.64	**15.05**
August	13.72	15.57	**15.37**
September	15.01	16.06	**15.54**
October	15.21	16.07	**15.33**
November	14.95	**15.63**	**14.94**
December	14.39	**15.22**	**14.41**
Average	12.99	**16.34**	**14.73**

* Estimated prices for November and December 2004 and all of 2005. All estimates are subject to change. Prices are reported at Suffolk County, MA, at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.

Crop Situation

Mixed weather conditions throughout the Northeast surprisingly resulted in above average yields for corn and soybeans, but hay yields were inconsistent. Wet weather experienced earlier in the season hindered hay harvesting. Even though yields varied throughout the Northeast, more hay went into haylage than normal. Nationally, the forage situation is mixed, although grain prices are predicted to be favorable for dairy farmers.

Production Estimates

Both in the Northeast and nationally, cow numbers are expected to continue declining. Even though milk prices were higher during the past year, replacement heifer prices were high due to short supply further stunted by BSE (mad cow) scares that stopped shipments from Canada. Any extra cash producers had was used to pay down debt that limited expansion. Milk production per cow varied among the Northeast states during 2004 with an overall decline, but is estimated to increase in all Northeast states in 2005. Overall U.S. milk production per cow is projected to be up from last year and increase again in 2005 mainly due to better quality feed and increased BST usage.

The decline in cow numbers coupled with the decrease in milk per cow will result in an overall decline of 3.1 percent in milk production for the Northeast region for 2004. Nationally, the increase in milk per cow should offset the decline in cow numbers enough to raise total milk production just slightly (0.1 percent) over 2003. For 2005, milk production per cow is expected to offset the decline in cow numbers resulting in an increase of 1.3 percent in the Northeast. Nationally, milk production is estimated to increase 2.1 percent for 2005. These predictions have been adjusted for leap year.

Price Estimates

Milk prices were much higher during 2004 than initially projected this time last year. Milk production was down during the first half of 2004 due to a combination of factors. This, combined with fairly strong demand for cheese and butter, resulted in price spikes in early spring. Milk production began to recover somewhat near the end of the summer, and prices systematically have declined. It is anticipated that they will continue to drop throughout the winter and into early spring 2005. By summer, prices should rebound somewhat and continue to rise into the fall months, but drop again next winter (see accompanying table).

Prices are not expected to reach the levels seen in 2004 and overall average about 10 percent less. Once again, the Class III price is expected to be the mover for Class I prices during all of 2005. At this time, no negative producer price differentials (PPD) are predicted for 2005.❖

Processor Promotion Board Seeks Nominations

The USDA is seeking nominations for the National Fluid Milk Processor Promotion Board. Six individuals will be appointed to serve 3-year terms beginning July 1, 2005. Locally, Region 2 (New Jersey and New York) is one of the regions with an opening.

For nominating forms and procedures, contact Promotion and Research Branch, Dairy Programs, AMS, MRP, USDA, 1400 Independence Ave., SW, Stop 0233, Room 2958 S, Washington, DC 20250-0233 or by telephone at (202) 720-6909. Blank forms are also available on the Dairy Promotion and Research Branch's website at www.ams.usda.gov/dairy/dairyrp.htm. Nomination forms should be submitted by December 3, 2004.❖

“Tanker Load Per Day” Farms by State

During September 2004 (verified payroll data), there were 58 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 119 million pounds on the Order in September 2004. This number of farms, producing at least 1.5 million pounds a month, decreased by 2 since September 2003. These “large” farms represented 6.7 percent of the total milk pooled on the Northeast Order in September 2004, compared to 6.9 percent in 2003 and 5.3 percent in 2002.

These 58 farms represent just 0.4 percent of the 15,294 farms pooled on the Northeast Order. Roughly 80 percent of farms pooling on the Northeast Order marketed between 30,000 and 249,999 pounds of milk during September.

Most of the “large” farms pooled on the Order are located in New York; they total 41 farms and account for 88 million pounds. Most of the growth in these size farms in the Northeast was in New York. Of the increase in large farms that has occurred since 2001, New York accounted for 10 of the 16 farms. The number of these “large” farms doubled in Vermont, from 6 in 2002 to 12 in 2004.

Interestingly, there are no “tanker load per day” farms in Pennsylvania that are pooled on the Northeast Order. Farms marketing over 1.5 million pounds a month on the Northeast Order from outside the traditional marketing area have remained at zero since 2002.

The number of farms in a size category may change due to changes in production and/or changes in pooling location. Increases or decreases do not necessarily imply a new farm or a farm going out of business. During any given year, the total number of farms producing greater than 1.5 million pounds a month may change due to the number of days in a month or the seasonality of milk production.❖

Milk by State and Farm Size, Month of September

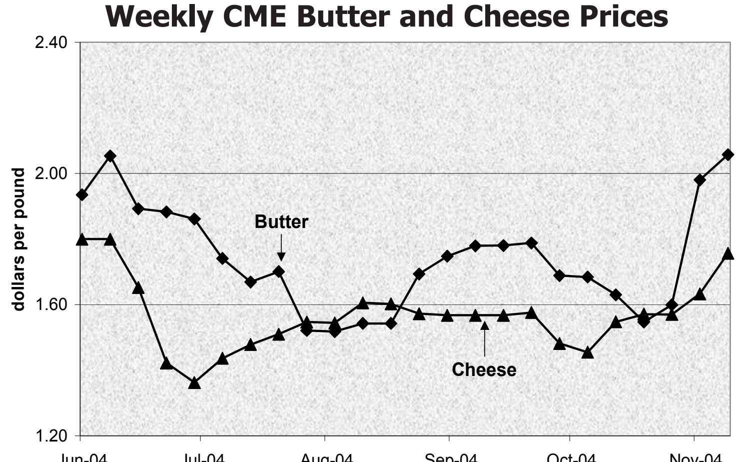
	Total Pooled		Farms Marketing 1.5 Million Lbs. or More Per Month on Northeast Order							
	2004		2004		2003		2002		2001	
State/Area	No. of Farms	Million Pounds	No. of Farms	Million Pounds	No. of Farms	Million Pounds	No. of Farms	Million Pounds	No. of Farms	Million Pounds
ME	384	49	<=3	3	<=3	3	<=3	3	<=3	2
VT	1,256	205	12	21	9	16	6	11	6	10
Other New England1/	529	74	<=3	3	<=3	3	<=3	3	<=3	3
NJ	123	15	0	0	0	0	0	0	0	0
NY	5,825	753	41	88	48	108	39	85	31	70
PA	6,308	588	<=3	4	0	0	0	0	0	0
Other Inside Area2/	816	99	0	0	0	0	0	0	0	0
Other Outside Area3/	53	6	0	0	0	0	0	0	2	4
Total	15,294	1,789	58	119	60	130	48	102	42	89

1/ Other New England includes CT, MA, NH, and RI.
2/ Other Inside Area includes DE, MD, VA.
3/ Other Outside Area includes ID, MI, MN, ND, NV, UT, WI, and WV.

Current Commodity Situation

Market signals remain mixed as Chicago Mercantile Exchange (CME) AA Butter and 40-lb. block Cheddar cheese prices increase. The CME AA butter price reached $2.1050 per pound on November 17 and 40-lb. block Cheddar cheese closed the day at $1.7825 per pound on November 18. Weekly averages, including partial week ending November 19, are shown in the accompanying chart. Cash prices have been on the rise due to some tightness in the supply of current product. October’s *Milk Production* report showed an increase of 1.3 percent in the 20 selected states. Based on the latest milk production trends, prices are expected to decline after holiday purchases are complete.❖

Weekly CME Butter and Cheese Prices



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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	910,540,743	$11.78	107,261,699.53	
	Butterfat	19,106,084	1.9040	36,377,983.94	
Less:	Location Adjustment to Handlers			(2,939,557.07)	$140,700,126.43
Class II—	Butterfat	26,854,921	1.9090	51,266,044.20	
	Nonfat Solids	30,964,508	0.7933	24,564,144.21	75,830,188.41
Class III–	Butterfat	16,810,544	1.9020	31,973,654.70	
	Protein	13,404,514	2.3814	31,921,509.64	
	Other Solids	24,263,588	0.0677	1,642,644.91	65,537,809.25
Class IV–	Butterfat	5,261,953	1.9020	10,008,234.63	
	Nonfat Solids	8,780,322	0.7093	6,227,882.41	16,236,117.04
Total Classified Value					**$298,304,241.13**
Add:	Overage—All Classes				129,737.48
	Inventory Reclassification—All Classes				81,209.66
	Other Source Receipts	48,130			1,853.01
Less:	Producer Component Valuations				(271,873,679.60)
	Subtotal				**$26,643,361.68**
Add:	Location Adjustment to Producers				8,546,350.70
	One-half Unobligated Balance—Producer Settlement Fund				599,448.41
Total Pool Milk & Aggregate Value		1,829,780,139			35,789,160.79
Less:	Producer Settlement Fund—Reserve				(840,360.20)
Producer Price Differential @ *Suffolk County, MA (Boston)*			**$1.91**		34,948,800.59
Statistical Uniform Price @ *Suffolk County, MA (Boston)*			**$16.07**		

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