

# The Market Administrator's **BULLETIN**

## **NORTHEAST MARKETING AREA**

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**November 2004**

Federal Order No. 1

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### **November Pool Price Calculation**

The November 2004 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.20 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 \$1.31 per hundredweight.

November's statistical uniform price was 13 cents per hundredweight higher than the October price; the November PPD was 60 cents below last month's. All class prices increased from the previous month as a result of higher dairy product prices during the month. The only exception was the Class I price that decreased 49 cents per hundredweight.

The producer protein test averaged 3.13 percent and set a new record high under the Order. The producer butterfat test averaged 3.78 percent, the highest test since February 2003. ❖

### **Payment Dates to Producers**

The calendar below shows the dates for partial and final payments to producers that are not members of cooperatives. As required by the Order, payment must be made so that a producer receives it no later than the date shown. The table dates vary due to weekends and national holidays. Note payment dates could change pending the outcome of the Northeast Order hearing held September 2002. ❖

#### **Northeast Order Required Producer Payments**

2005 Month Milk Produced	Payment Due			
	Partial		Final	
	Day	Date	Day	Date
January	Wednesday	1/26/05	Thursday	2/17/05
February	Monday	2/28/05	Thursday	3/17/05
March	Monday	3/28/05	Tuesday	4/19/05
April	Tuesday	4/26/05	Tuesday	5/17/05
May	Thursday	5/26/05	Friday	6/17/05
June	Monday	6/27/05	Tuesday	7/19/05
July	Tuesday	7/26/05	Wednesday	8/17/05
August	Friday	8/26/05	Monday	9/19/05
September	Monday	9/26/05	Tuesday	10/18/05
October	Wednesday	10/26/05	Thursday	11/17/05
November	Monday	11/28/05	Monday	12/19/05
December	Tuesday	12/27/05	Wednesday	1/18/06

### **Pool Summary**

- A total of 15,128 producers were pooled under the Order with an average daily delivery per producer of 3,901 pounds.
- Pooled milk receipts totaled 1.771 billion pounds, relatively unchanged from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 52.0 percent of total milk receipts, a new record under the Order. This was an increase of 1.2 percentage points from October.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.66 percent.

#### **Class Utilization**

Pooled Milk	Percent	Pounds
Class I	52.0	920,209,409
Class II	19.9	351,519,864
Class III	23.4	415,161,735
Class IV	4.7	83,957,121
Total Pooled Milk		1,770,848,129

#### **Producer Component Prices**

	2004	2003
	\$/lb	
Protein Price	2.4297	2.9287
Butterfat Price	2.0489	1.2877
Other Solids Price	0.0800	0.0368

#### **Class Price Factors**

	2004	2003
	\$/cwt	
Class I	17.54	17.62
Class II	14.09	10.99
Class III	14.89	13.47
Class IV	13.34	10.30

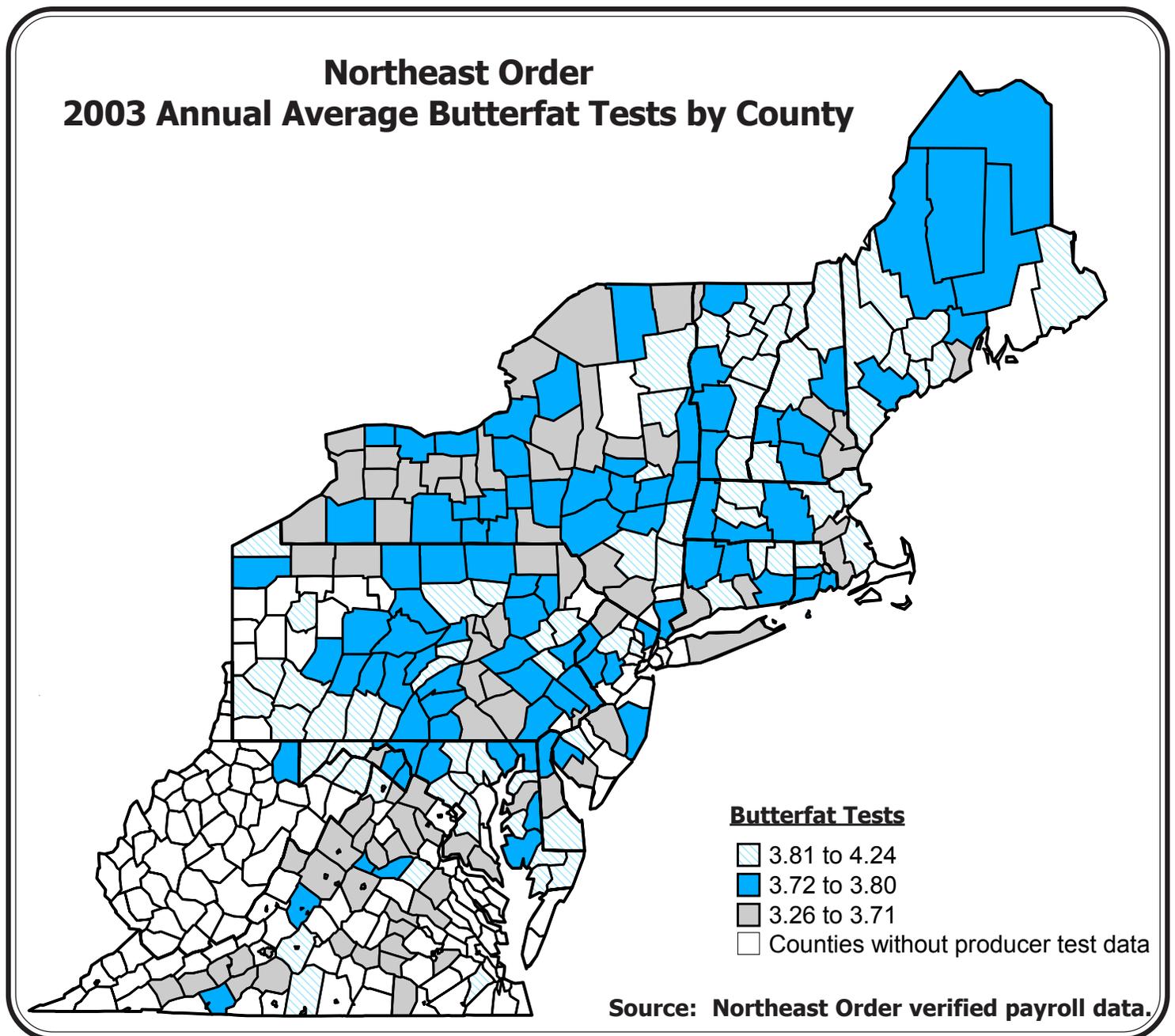
## Average Butterfat Test by County

The statistical uniform per-hundredweight price is announced each month at the standard component levels of 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. An individual producer's milk may contain component percentages that look much different than the basis for the price announcement. Genetics, stage of lactation, level of milk production, age of cow, environment, disease, and nutrition all affect the level of components in milk. The result is a "uniform price" for each producer that may be different from the announced order average.

The accompanying map shows annual average butterfat tests by county for 2003 and gives an idea of regional differences in levels of butterfat. Only counties

in the contiguous Northeast milkshed are shown here. Of note, six of the top ten counties in terms of milk production in 2003 fall in the low range. The other four fall in the middle. These counties are ranked based on their volume of milk that is pooled on the Northeast Order; it does not necessarily represent all milk produced in a particular county. Many of the counties in western and northern New York fell in the low range as well. New England and an area that runs from southwest Pennsylvania through Maryland tended to have average butterfat tests in the high range. The majority of counties in Virginia fell in the low range.

Annual average tests for protein and other solids by county will be shown in subsequent *Bulletins*. ❖



## Commodity Markets Tumble

Chicago Mercantile Exchange (CME) cheese and butter prices have dropped considerably during recent trading sessions. According to USDA's *Dairy Market News*, much of the holiday season demand for cheese and butter has been filled, and buyers are no longer supporting prices near the two-dollar level that existed for both commodities at the beginning of December.

Although prices were expected to decline, the butter price dropped 40 cents in one trading day, the largest single-day decline since three-times-a-week trading of butter began at the CME in March 1999. In addition, the \$0.4525 drop for the week is the largest ever. *Dairy Market News* notes that buyers may now hold off additional purchases in anticipation of still weaker prices. At the time this was published, the average weekly butter price for the week ending December 17 was hovering around \$1.55 per pound. The average weekly butter price has not been below \$1.50 since the week ending January 20, 2003. Chart 1 compares CME butter prices from July through December for 2003 and 2004.

The 40-lb. block Cheddar cheese price dropped \$0.2525 the week ending December 10 and opened up the following trading week dropping 28 cents the first day. This was the largest single-day decline since daily trading at the CME began in September 1998. Again, at print time, the average weekly price for the week ending December 17 was \$1.4258 per pound. From July through October, this year's Cheddar cheese price tracked relatively close to last year's.

With the start of November, the 2004 cheese price began to steadily rise, compared to last year when the price began a steady decline. Chart 2 shows the quick return to last year's price levels.

Even though prices have dropped dramatically in the past 2 weeks, USDA's outlook for the upcoming year is still positive. It is forecasted that prices will be lower than

Chart 1  
Weekly Average CME Block Cheddar Cheese Price

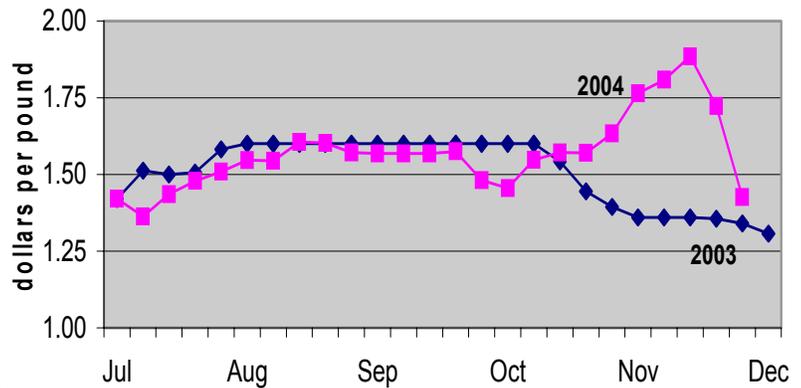
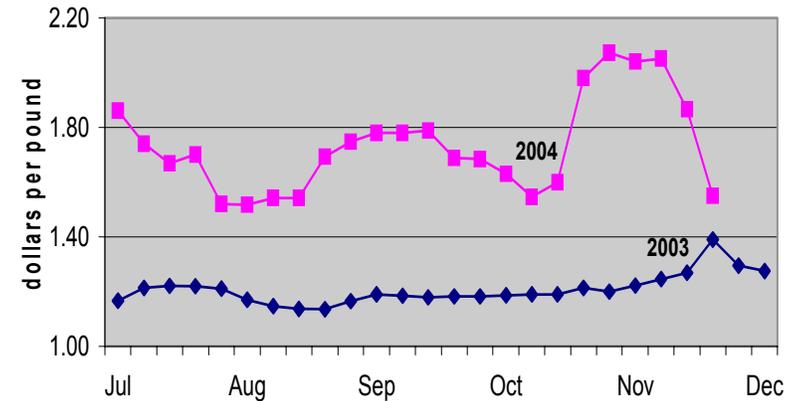


Chart 2  
Weekly Average CME AA Butter Price



during 2004, but still above those in 2003. Even with the decline in cheese and butter prices, the 2005-year is expected to begin with higher class prices than those at the beginning of 2004. The Northeast Order blend price for January is forecasted to be above \$15.00 per hundredweight. ❖

## USDA Amends All Federal Milk Orders

Producers supplying milk for each of the ten federal milk markets have approved amendments to the classification of milk provisions. The announcement follows a referendum conducted in the Northeast Marketing Order during October in which producers had the opportunity to vote on the proposed Order as amended. USDA determined dairy farmers' approval by polling cooperative associations in eight of the marketing areas and by conducting referenda in the Northeast and Mideast marketing areas.

This final rule permanently adopts classification of milk use provisions that reclassify milk used to produce evaporated milk in consumer-type packages or sweetened

condensed milk in consumer-type packages from Class III to Class IV.

The final rule was published in the November 26 *Federal Register* and became effective on December 1, 2004. This final rule includes no new changes to the Order since the amendments were previously approved and implemented on an interim basis effective on May 1, 2004.

The final order rule and additional background information can be accessed on the web at <http://www.ams.usda.gov/dairy/hearings.htm>. Copies of the final order and additional information also may be obtained by contacting the Northeast Market Administrator's Albany office. ❖



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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	900,591,142	\$11.06	99,605,380.31	
Butterfat	19,618,267	1.9613	38,477,307.07	
Less: Location Adjustment to Handlers			(2,915,316.97)	\$135,167,370.39
Class II— Butterfat	26,655,366	2.0559	54,800,766.99	
Nonfat Solids	29,639,456	0.7933	23,512,980.42	78,313,747.41
Class III— Butterfat	15,998,220	2.0489	32,778,752.96	
Protein	12,998,346	2.4297	31,582,081.31	
Other Solids	23,426,876	0.0800	1,874,150.08	66,234,984.35
Class IV— Butterfat	4,602,302	2.0489	9,429,656.59	
Nonfat Solids	7,229,817	0.7098	5,131,724.08	14,561,380.67
<b>Total Classified Value</b>				<b>\$294,277,482.82</b>
Add: Overage—All Classes				139,449.03
Inventory Reclassification—All Classes				385,196.32
Other Source Receipts	111,387			2,957.89
Less: Producer Component Valuations				(279,628,984.13)
<b>Subtotal</b>				<b>\$15,176,101.93</b>
Add: Location Adjustment to Producers				8,182,187.34
One-half Unobligated Balance—Producer Settlement Fund				572,674.22
<b>Total Pool Milk &amp; Aggregate Value</b>	1,770,959,516			23,930,963.49
Less: Producer Settlement Fund—Reserve				(731,393.88)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$1.31</b>		23,199,569.61
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$16.20</b>		

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