

# The Market Administrator's **BULLETIN**

## **NORTHEAST MARKETING AREA**

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**January 2005**

Federal Order No. 1

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### **January Pool Price Calculation**

The January 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.31 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 January producer price differential (PPD) at Suffolk County was \$2.17 per hundredweight.

January's statistical uniform price was 12 cents per hundredweight below the December price; the January PPD was \$1.88 above last month's. The only price that was higher than the previous month was the Class I price that reflected early December commodity prices. During the last 2 weeks of December, butter and cheese prices declined significantly and remained lower in January. This resulted in a 30-cent drop in producer butterfat and protein prices for January. These components are incorporated into the Class II, III, and IV prices, which were all down from January. The spread between the class prices resulted in a much higher PPD. ❖

### **Producer Referendum Underway**

The United States Department of Agriculture announced a final decision that adopts certain amendments to current provisions of the Northeast Federal Milk Marketing Order. The decision is based on testimony and evidence given at a public hearing held on September 10-13, 2002, in Arlington, Virginia. A referendum to determine producer approval of the Order as amended is presently underway.

This decision adopts changes to various reporting and payment deadlines, as well as changes to the pooling and producer milk provisions of the Northeast Order. The adopted amendments include:

- Establishing year-round supply plant performance standards.
- Eliminating the "split-plant" provision.
- Creating a "touch-base" standard for the number of days of production a dairy farmer must deliver to a pool plant to qualify the rest of the dairy farmer's milk for diversion.
- Establishing explicit limits on the amount of milk a pool plant may divert to nonpool plants.
- Excluding milk received by supply plants from producers not eligible to be pooled on the order from the total volume of milk used to satisfy supply plant performance standards.

(continued on page 3)

### **Pool Summary**

- A total of 15,156 producers were pooled under the Order with an average daily delivery per producer of 4,258 pounds.
- Pooled milk receipts totaled 2.0 billion pounds, an increase of 5.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.7 percent of total milk receipts, a decrease of 3.8 percentage points from December.
- The average butterfat test of producer receipts was 3.74 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.68 percent. ❖

#### **Class Utilization**

Pooled Milk	Percent	Pounds
Class I	45.7	913,347,258
Class II	18.9	378,665,647
Class III	23.1	462,609,153
Class IV	12.3	245,877,262
Total Pooled Milk		2,000,499,320

#### **Producer Component Prices**

	2005	2004
	\$/lb	
Protein Price	2.5300	2.0875
Butterfat Price	1.7330	1.4978
Other Solids Price	0.0899	0.0217

#### **Class Price Factors**

	2005	2004
	\$/cwt	
Class I	19.90	15.10
Class II	13.04	11.67
Class III	14.14	11.61
Class IV	12.52	10.97

## Five-Year Comparison

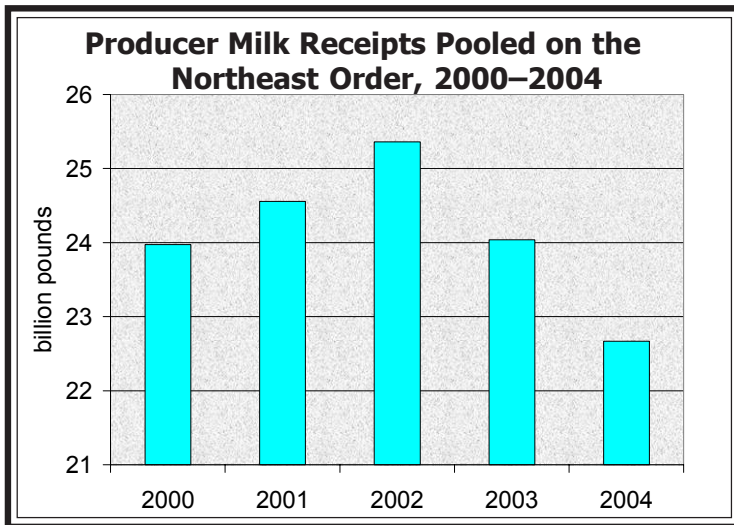
The annual average 2004 statistical uniform price (SUP) of \$16.49 per hundredweight (cwt) was the highest since the Order's inception in 2000 and 5.2 percent higher than the next highest average of \$15.67 per cwt in 2001. Conversely, the 2004 average producer price differential (PPD) was the lowest during the 5-year period. The highest annual average PPD was \$3.30 per cwt in 2000. The accompanying table shows annual average prices from 2000 to 2004.

All component prices used in paying producers under the Order set record-high annual averages. During the year, the protein price hit \$3.7639 per pound in May, the highest price

### Annual Average Producer Pay Prices Under the Northeast Order, 2000–2004

	2000	2001	2002	2003	2004	2003–04 Change percent
	dollars					
Butterfat per lb	1.2522	1.8480	1.1928	1.2099	2.0507	69.5
Protein per lb	1.6938	1.9613	1.9735	2.3770	2.6035	9.5
Other Solids per lb	0.0509	0.1343	0.0593	0.0129	0.0751	482.2
PPD per cwt*	3.30	2.57	2.22	1.57	1.10	(29.9)
SUP per cwt*	13.04	15.67	12.64	12.99	16.49	26.9

\* At Suffolk County, MA (Boston).



reported since federal order reform instituted new formulas for calculating producer prices. The butterfat price set a record in April at \$2.5013 per pound; the May other solids price of \$0.1444 per pound was also a record high.

Total producer milk pooled on the Northeast Order during 2004 was 5.7 percent less than last year and the lowest volume since the Order's inception (see chart). Compared to all other federal orders, the Northeast Order still recorded the highest total volume of producer milk, followed by the Upper Midwest and Mideast Orders, respectively. For the first time under the Northeast Order, depooling occurred in April, May, and June of 2004 due to the price inversion. Nearly 700 million pounds of milk normally pooled on the Northeast Order were not included during the 3-month period. Even if depooling had not occurred, the total volume of producer milk in 2004 would have been the lowest in the 5-year period. ❖

## Marketing Service 2004 Summary

The Market Administrator verifies or establishes weights, samples and tests producer milk, and provides market information for producers who are not receiving such services from a cooperative association.

### Verification Program

One aspect of the marketing services provided by the Order is the verification program. The objective of verifying tests is to guard against incorrect payments to producers for milk components, as well as preventing incorrect pool credits to fluid handlers.

### Calibration Program

Another aspect of the Market Administrator's marketing service program is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing

### Tank Calibration Work by Tank Size

Tank Size (Gallons)	Checks	Calibrations/ Recalibrations
0-500	15	19
501-1000	169	144
1001-1500	40	29
1501-2000	14	17
2001-3000	6	8
3001-6000	5	4
6000+	0	0
<b>Total</b>	<b>249</b>	<b>221</b>

calibration services, the two trucks combined cover over 29,900 miles. The marketing service staff checked 249 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2004 season. A tank check involves measuring the tank at about four or five different levels as opposed to performing a complete calibration, which involves checking the tank at each increment on the dipstick. If the tank proves to be out of tolerance when checked, the tank is then recalibrated. Of the 249 tanks checked, 27 were out of tolerance and were recalibrated. Of the tanks requiring recalibration, there was an almost even split between tanks that were over measuring and under measuring the amount of milk. An additional 194 calibrations were performed for other reasons that did not involve an initial check, such as a tank being installed, a tank being moved, or a special request. The 249 checks and the 194 additional calibrations total at least 443 farm visits. A total of 221 calibrations and recalibrations were performed. A breakdown of checks and calibrations/recalibrations by tank size are shown in the accompanying table. A tentative schedule for the calibration trucks will be published in the *Bulletin* near the start of the spring season. ❖

## New Secretary of Agriculture

Mike Johanns was sworn in as the 28<sup>th</sup> Secretary of the U.S. Department of Agriculture on January 21, 2005. Born and raised in Iowa, he was the son of a dairy farmer. Secretary Johanns practiced law in O'Neill and Lincoln, Nebraska, and was elected to two terms as mayor of Lincoln. In 1998, he was elected governor of Nebraska where he has served for the past 6 years. ❖

## Average Other Solids Tests by County

The accompanying map shows annual average other solids tests by county for 2003 and gives an idea of regional differences in levels of other solids. Only counties in the contiguous Northeast milkshed are shown here. Of note, 5 of the top 10 counties in milk production in 2003 fall in the low range. 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. Most of the counties falling in the highest range were in Pennsylvania or Virginia. Much of New England fell into the top 2 categories while most of New York fell into either the middle or low category. ❖

## Referendum *(continued from page 1)*

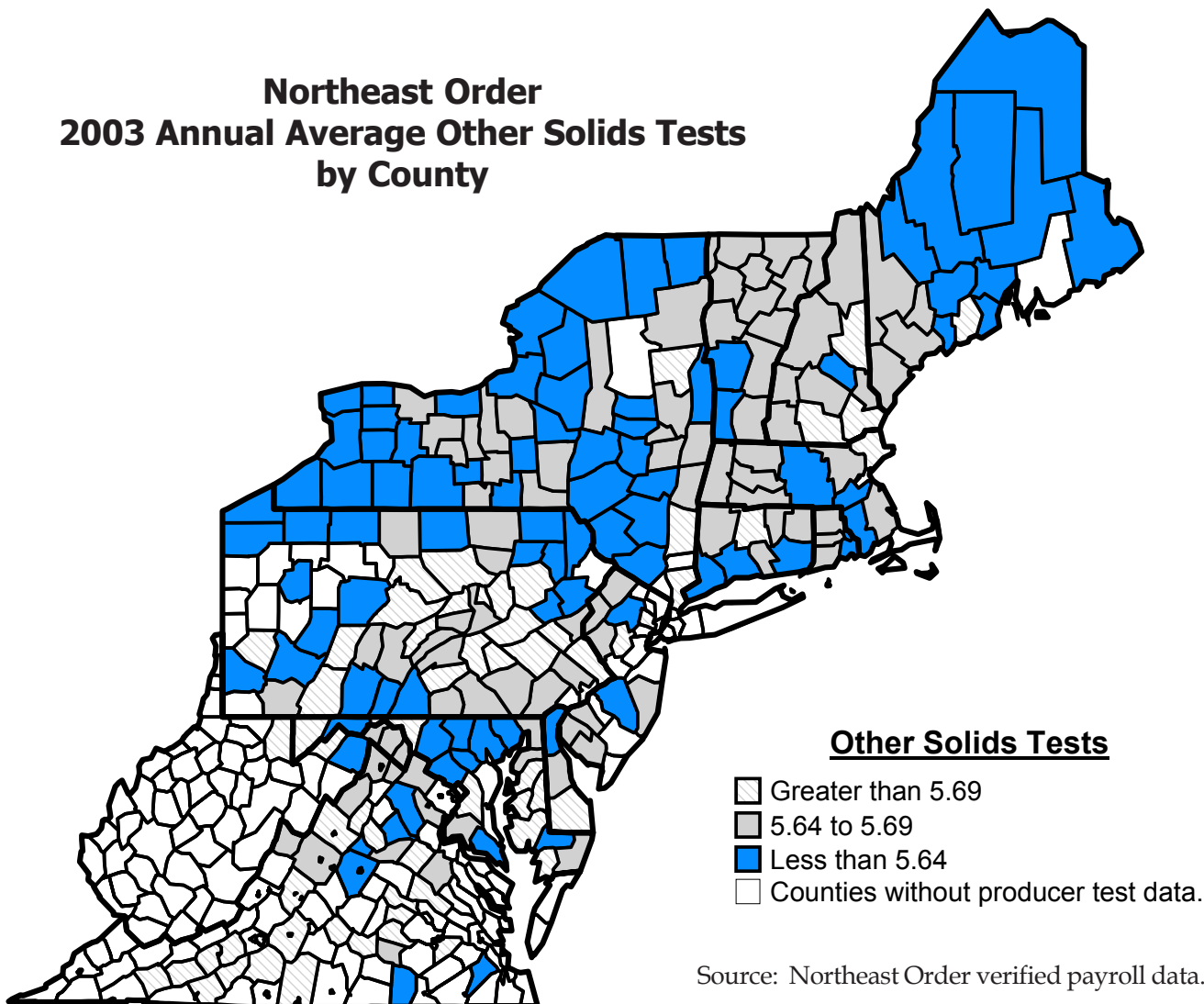
- Prohibiting the ability to pool the same milk on the order and on a marketwide pool administered by another government entity.
- Granting authority to the Market Administrator to adjust the "touch-base" and diversion limit standards as market conditions warrant.
- Revising certain pool reporting and payment date provisions while maintaining the current date for producers receiving partial payments for milk deliveries during the first half of the month.

The referendum ends February 25, 2005, and all ballots are required to be postmarked by that date. If approved, a final rule will follow to implement these changes. ❖

## Promotion Appointment

The Secretary of Agriculture recently announced the appointment of a new member to the National Fluid Milk Processor Promotion Board to fill an existing term. Newly appointed for Region 2 is Joseph Cervantes of Binghamton, NY; his term will expire June 30, 2005. ❖

**Northeast Order  
2003 Annual Average Other Solids Tests  
by County**





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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	895,138,474	\$12.95	115,920,432.38	
Butterfat	18,208,784	2.1143	38,498,832.01	
Less: Location Adjustment to Handlers			(2,850,477.74)	\$151,568,786.69
Class II— Butterfat	26,664,083	1.7400	46,395,504.42	
Nonfat Solids	31,894,798	0.8000	25,515,838.40	71,911,342.82
Class III— Butterfat	17,827,759	1.7330	30,895,506.35	
Protein	14,162,075	2.5300	35,830,049.75	
Other Solids	26,175,322	0.0899	2,353,161.45	69,078,717.55
Class IV— Butterfat	12,138,755	1.7330	21,036,462.45	
Nonfat Solids	21,237,462	0.7431	15,781,558.02	36,818,020.47
<b>Total Classified Value</b>				<b>\$329,376,867.53</b>
Add: Overage—All Classes				106,122.61
Inventory Reclassification—All Classes				(143,811.13)
Other Source Receipts	34,443			1,525.82
Less: Producer Component Valuations				(295,117,314.39)
<b>Subtotal</b>				<b>\$34,223,390.44</b>
Add: Location Adjustment to Producers				9,532,088.31
One-half Unobligated Balance—Producer Settlement Fund				587,566.28
<b>Total Pool Milk &amp; Aggregate Value</b>	2,000,533,763			44,343,045.03
Less: Producer Settlement Fund—Reserve				(931,462.32)
<b>Producer Price Differential @ Suffolk County, MA (Boston)</b>		<b>\$2.17</b>		43,411,582.71
<b>Statistical Uniform Price @ Suffolk County, MA (Boston)</b>		<b>\$16.31</b>		

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