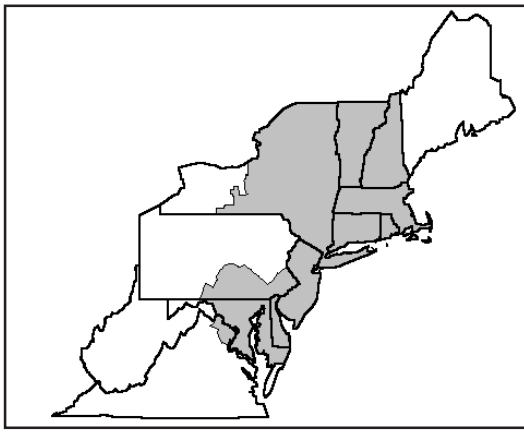

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 2005 Federal Order No. 1

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July Pool Price Calculation

The July 2005 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $15.85 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 $1.50 per hundredweight.

July's statistical uniform price was 62 cents per hundredweight above the June price; the July PPD was 19 cents higher than last month's. During July, both butter and cheese prices rose resulting in a higher butterfat price, but lower protein prices because the butterfat price is a component in the protein price. Overall, all class prices increased with the Class II and IV prices rising the most from June. The producer butterfat test averaged 3.50 percent, the lowest since the Order's inception. The producer protein test averaged 2.91 percent, the lowest test since August 2003.❖

Milk Producton Recovers

For the first 7 months of 2005, milk production in the United States totaled 103.9 billion pounds, an increase of 3.3 percent from the same period in 2004. During the first quarter of 2005, production grew 2.3 percent; during the second quarter it jumped 4.2 percent. In the Northeast, the three largest contributing states to the Northeast Order (New York, Pennsylvania, and Vermont) had a combined increase of 3.8 percent for the January-July period. For the first quarter, these states increased a combined 2.5 percent; their production grew 4.8 percent during the second quarter. All comparisons have been adjusted for leap year.

Many of the top ten milk producing states faced production declines during 2004. Overall, the nation recorded relatively no change compared to 2003. Beginning early in 2005, the Northeast and other top producing states such as Minnesota, Wisconsin, and Texas began seeing increases in milk production. Even New Mexico's production had declined near the end of 2004, but started to bounce back early in 2005.

Milk production is not necessarily representative of milk pooled on the Order. For example, the amount of milk received on the Order from the three top contributing states increased 5.2 percent for the first 7 months of 2005 when compared to the same period in 2004. This is much higher than the combined increase in total production for these three states. The reason for the discrepancy is mainly due to the amount of milk that was

(continued on page 3)

Pool Summary

- A total of 14,933 producers were pooled under the Order with an average daily delivery per producer of 4,295 pounds.
- Pooled milk receipts totaled 1.988 billion pounds, a decrease of 3.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.9 percent of total milk receipts, a decrease of 0.5 percentage points from June.
- The average butterfat test of producer receipts was 3.50 percent.
- The average true protein test of producer receipts was 2.91 percent.
- The average other solids test of producer receipts was 5.68 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.9	814,181,743
Class II	20.5	407,200,960
Class III	23.5	467,215,160
Class IV	15.1	299,470,801
Total Pooled Milk		1,988,068,664

Producer Component Prices

	2005	2004
	$/lb	
Protein Price	2.4558	2.3625
Butterfat Price	1.8007	2.0543
Other Solids Price	0.1240	0.1048

Class Price Factors

	2005	2004
	$/cwt	
Class I	17.14	21.20
Class II	13.79	14.00
Class III	14.35	14.85
Class IV	13.17	13.31

"Tanker Load Per Day" Farms by State

During June 2005 (verified payroll data), there were 78 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 174 million pounds on the order in June 2005. The number of farms producing at least 1.5 million pounds a month increased by 9 since June 2004. These "large" farms represented 8.7 percent of the total milk pooled on the Northeast Order in June 2005, compared to 8.5 percent in June 2004 and 7.4 percent in June 2003.

These 78 farms represent just 0.5 percent of the 14,919 farms pooled on the Northeast Order. Roughly 81 percent of farms pooling on the Northeast marketed between 30,000 and 249,999 pounds of milk during June.

The greatest numbers of "large" farms pooled on the Order operate farms in New York. They total 56 farms totaling 127 million pounds. New York has experienced most of the growth in these size farms in the Northeast. Of the increase of 14 "large" farms since 2002, those in New York accounted for 9 of them. The number of these "large" farms pooling on the Northeast Order from outside the traditional marketing area have been 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

	Total Pooled		Farms Marketing 1.5 Million Lbs. or More On Northeast Order							
	2005		2005		2004		2003		2002	
State/Area	Number of Farms	Million Pounds	Number of Farms	Million Pounds	Number of Farms	Million Pounds	Number of Farms	Million Pounds	Number of Farms	Million Pounds
VT	1,198	223	11	22	9	17	8	15	8	14
Other New England	870	130	3	6	4	8	3	6	3	6
NY	5,626	830	56	127	50	115	55	126	47	100
PA	6,229	681	7	16	5	11	12	14	<=3	4
Other Inside Area	885	127	<=3	3	<=3	2	<=3	2	0	0
Other Outside Area	111	8	0	0	0	0	0	0	4	11
Total	14,919	1,999	78	174	69	153	79	163	64	135

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

Trade at a Glance

Increasing milk production leads one to wonder where will all the milk go. U.S. exports of dairy products have been absorbing larger portions of U.S. milk production. Dairy products that are exported include cheese, whey, lactose, ice cream, infant formula, fluid milk and cream, and milk powders. Exports account for about five percent of total U.S. milk production, on a milk-equivalent basis.

U.S. exports of nonfat dry milk during the first 6 months reached 150,000 tons, compared to 61,000 tons during the same period of 2004. Mexico was the biggest destination taking 46,000 tons, almost 31 percent of that total. They were followed by the Philippines and Indonesia, with 15,000 tons each. Total U.S. dairy exports for the first half of 2005 total 437,000 tons, up from 319,000 tons during the same period the previous year.

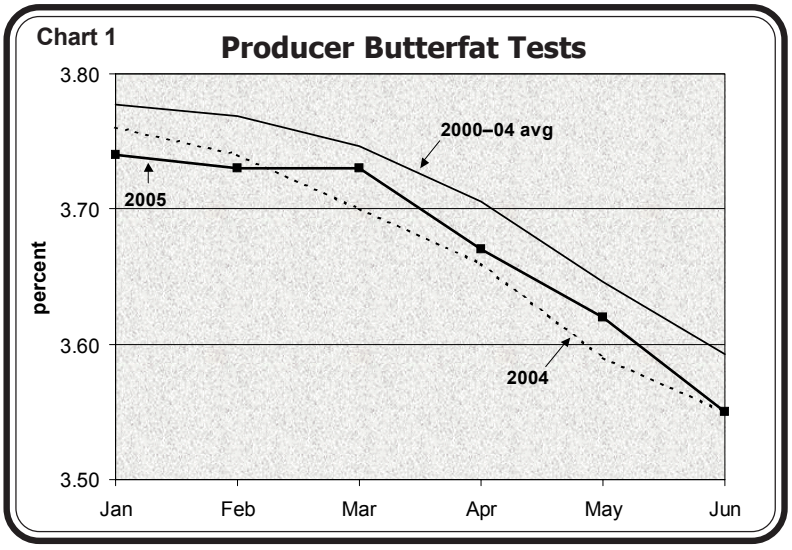
In the last five years, exports have increased by 560 million pounds of milk solids, while U.S. milk production has expanded by only 1.087 billion pounds of milk solids. That means more than half of the incremental supply growth in the U.S. dairy industry over the last five years has been sold into overseas markets.

CAFTA

The signing of the Central American and Dominican Republic Free Trade Agreement (CAFTA-DR) will benefit U.S. dairy exports. According to the U.S. Dairy Export Council, the Caribbean tourism industry, with its restaurants, hotels, and cruise ships, has created upward demand for U.S. dairy products, particularly ice cream and cheese in the region. U.S. cheese exports to the Bahamas, Trinidad & Tobago, and Jamaica have increased 37 percent, 42 percent, and 8 percent, respectively. Ice cream exports to the Bahamas, Trinidad & Tobago, and the Dominican Republic increased 45 percent, 180 percent, and 152 percent, respectively.❖

Component Tests Compared

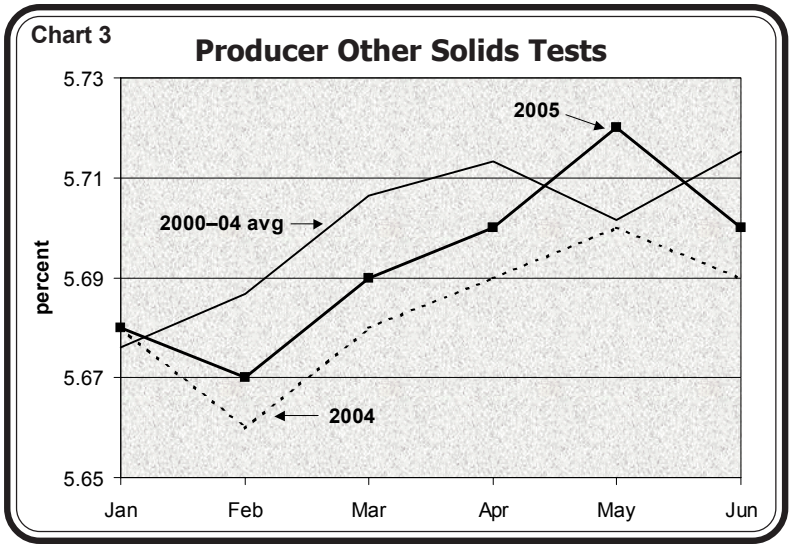
During the first 6 months of 2005, producer butterfat tests averaged 3.67 percent, relatively unchanged from the same period in 2004. When compared to the average for the previous 5 years, butterfat tests are down .03 percentage points (see chart 1). The highest January–June average butterfat test since the Order's inception was 3.73 percent, which occurred in both 2000 and 2003. For the January through June period, the highest monthly test recorded for the Northeast Order was 3.80 percent (February 2000; January and February 2003). The lowest test was 3.55 percent (June 2004 and 2005).

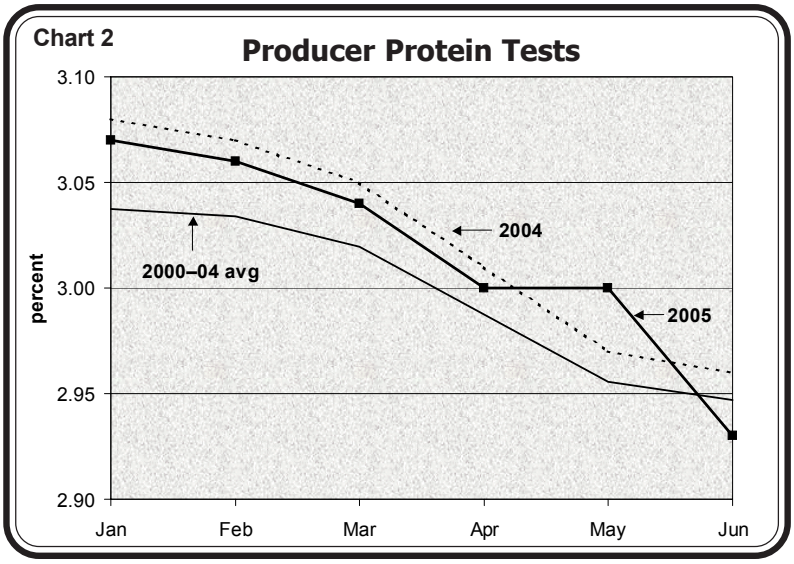


Producer protein tests averaged 3.02 percent for the first 6 months of 2005, unchanged from last year. This is .02 percentage points above the 2000–04 average (see chart 2). Protein tests have increased since the Order's inception averaging 2.98 percent during January–June 2000, 2.99 percent in 2001 and 2002, and 3.00 percent in 2003. The highest monthly test for the first 6 months was 3.08 percent, which occurred in January 2004. The lowest test for the period was 2.91 percent in May 2000.

For the first 6 months of 2005, other solids averaged 5.69 percent, up .01 percentage points from 2004 (see chart 3). Compared to the previous 5-year average, this is down .01 percentage point. The highest 6-month average was 5.73 percent in 2002; the lowest was 5.68 percent in 2000 and 2004. For the 6-month period, the highest monthly test recorded was 5.78 percent in June 2000; the lowest was 5.59 percent in January 2000.

Component tests vary seasonally with the highest tests usually occurring in the late fall and winter months. Protein tests tend to move in the same direction as butterfat tests but do not usually range as widely. Other solids tests vary the least among the component tests. Various factors affect milk components such as feed quality, temperature, cow health, and management practices.❖





Milk Production *(continued from page 1)*

depooled during the second quarter of 2004. Nearly 670 million pounds were not pooled on the Northeast Order during April, May, and June of 2004. That milk was included this year resulting in a dramatic increase in pooled receipts. If that milk had been pooled last year, the actual difference in pooled receipts for the first 7 months of 2005 would be a decrease of 0.6 percent.

In conclusion, the volume of milk reported for the Northeast Order is not a reflection of actual milk production. Not all milk produced within the typical Northeast Order states is pooled on the Order; some milk may be pooled by another federal order, a state order, or not regulated by any order.❖

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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	797,731,723	$11.98	95,568,260.42	
Butterfat	16,450,020	1.5935	26,213,106.87	
Less: Location Adjustment to Handlers			(2,516,769.21)	$119,264,598.11
Class II— Butterfat	28,937,683	1.8077	52,310,649.55	
Nonfat Solids	33,615,081	0.8589	28,871,993.06	81,182,642.61
Class III— Butterfat	16,923,206	1.8007	30,473,617.06	
Protein	13,592,645	2.4558	33,380,817.61	
Other Solids	26,415,918	0.1240	3,275,573.80	67,130,008.47
Class IV— Butterfat	7,358,172	1.8007	13,249,860.30	
Nonfat Solids	26,026,076	0.7909	20,584,023.55	33,833,883.85
Total Classified Value				**$301,411,133.04**
Add: Overage—All Classes				80,810.09
Inventory Reclassification—All Classes				288,794.55
Other Source Receipts	72,604			2,571.77
Less: Producer Component Valuations				(281,438,077.88)
Subtotal				**$20,345,231.57**
Add: Location Adjustment to Producers				9,458,562.70
One-half Unobligated Balance—Producer Settlement Fund				853,225.71
Total Pool Milk & Aggregate Value	1,988,141,268			30,657,019.98
Less: Producer Settlement Fund—Reserve				(834,901.04)
Producer Price Differential @ *Suffolk County, MA (Boston)*		**$1.50**		29,822,118.94
Statistical Uniform Price @ *Suffolk County, MA (Boston)*		**$15.85**		

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