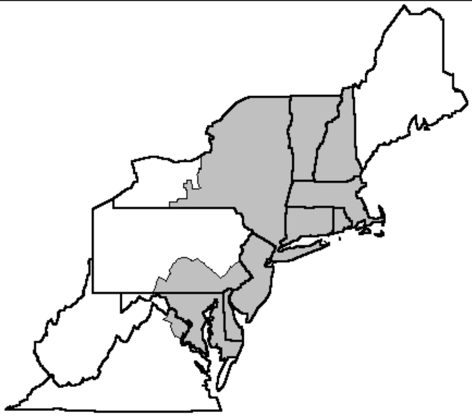

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

February 2006 Federal Order No. 1

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February Pool Price Calculation

The February 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.25 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 February producer price differential (PPD) at Suffolk County was $2.05 per hundredweight.

February's statistical uniform price was 53 cents per hundredweight below the January price; the February PPD was 66 cents above last month's. During February commodity butter, cheese, and powder prices declined while dry whey prices rose slightly, similar to January. Since the Class I price was calculated using data from January, it did not decline. All other class prices dropped considerably, and the spread between Class I and Class III prices was reflected in an increase in the PPD.❖

Recent Federal Order Decisions

The USDA announced three recommended decisions on February 21, 2006. The orders affected include:

- ***Mideast (Order No. 33)***—In order to deter depooling, during April through February the amount handlers can pool would be limited to 115 percent of the volume pooled in the prior month; in March, the amount would be 120 percent of the volume pooled in the prior month.
- ***Central (Order No. 32)***—The amendments would increase supply plant performance standards, amend features of the "touch-base" provision, amend certain features of the "split plant" provision, and decrease the diversion limit standards of the Order. To deter depooling, it proposes a limit to the volume a handler can pool in a month to 125 percent of the total volume pooled in the previous month.
- ***Upper Midwest (Order No. 30)***—To deter depooling, the decision recommends establishing a limit on the volume of milk a handler pools during the months of April through February to 125 percent of the volume pooled in the prior month; in March, the amount would be 135 percent of the prior month's volume. In addition, the amended Order allows the market administrator to increase the maximum administrative assessment rate up to 8 cents per hundredweight on all pooled milk if necessary to maintain the required fund reserves.

(continued on page 3)

Pool Summary

- A total of 14,441 producers were pooled under the Order with an average daily delivery per producer of 4,535 pounds.
- Pooled milk receipts totaled 1.834 billion pounds, an increase of 2.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 44.3 percent of total milk receipts, a decrease of 0.7 percentage points from January.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.3	811,395,334
Class II	18.6	341,709,484
Class III	22.2	406,741,496
Class IV	14.9	273,756,508
Total Pooled Milk		1,833,602,822

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	2.1220	2.6613
Butterfat Price	1.3469	1.7754
Other Solids Price	0.1999	0.0915

Class Price Factors

	2006	2005
	$/cwt	
Class I	16.63	17.04
Class II	12.62	13.36
Class III	12.20	14.70
Class IV	11.10	12.74

U.S. Milk Production Rebounded in 2005

After nearly 2 years without much change, milk production in the United States registered an increase of 3.8 percent in 2005. The top ten milk producing states showed an increase of 4.5 percent, while the top 23 states as reported by the National Agricultural Statistics Service (NASS) grew 4.2 percent. All figures have been adjusted for leap year in 2004.

Top Ten States Ranked by Milk Production, 2005

Rank	State	2004	2005	Percent Change
		million pounds		
1	California	36,465	37,564	3.3
2	Wisconsin	22,085	22,866	3.8
3	New York	11,650	12,078	4.0
4	Pennsylvania	10,062	10,503	4.7
5	Idaho	9,093	10,161	12.1
6	Minnesota	8,102	8,195	1.4
7	New Mexico	6,737	6,951	3.5
8	Michigan	6,330	6,735	6.7
9	Texas	6,009	6,442	7.5
10	Washington	5,416	5,608	3.8
	Top Ten Total	121,949	127,103	4.5
	U.S.Total	170,934	176,989	3.8

Source: National Agricultural Statistics Service, *Milk Production.*

Top Producing States

Nationally, milk production began bouncing back in May 2005. During the last 8 months of the year, production increased an average 4.6 percent each month. The accompanying table shows the top ten milk-producing states during 2005. Their ranks were unchanged from 2004. Minnesota showed the smallest increase with only 1.4 percent while Idaho had the most dramatic with 12.1 percent.

Each month NASS reports milk production from the 23 top producing states. NASS includes Kentucky in this group, but for the past 2 years, Utah has had higher milk production. Kentucky's production declined 3.3 percent in 2005. The only other state in the top-23 group that had declining production during 2005 was Illinois, down 0.7 percent.

Nationally, only 16 states showed production declines during 2005. Besides Idaho, the only other state to experience a double-digit increase was 47th ranked Wyoming with 17.5 percent. Other states with significant increases include Colorado (7.8 percent), Montana (7.2 percent), South Dakota (7.0 percent), and Nevada (6.8 percent).

Northeast Production Below National Average

In the Northeast milkshed (the area from which milk is traditionally procured by handlers selling into the Northeast Milk Marketing Area), milk production increased 3.5 percent. This region covers New England and the contiguous states down the east coast including Virginia and as far west as Pennsylvania and West Virginia (see map on front page). The top three contributing states (New York, Pennsylvania, and Vermont) showed a combined increase of 4.1 percent. The individual increases for New York and Pennsylvania are shown in the table. Vermont's production grew 2.1 percent and it was the only New England state to show an increase in production. For the combined New England states (Connecticut, Massachusetts, Maine, New Hampshire, Rhode Island, and Vermont), production rose only 0.6 percent. The rest of the milkshed states (Delaware, Maryland, New Jersey, Virginia, and West Virginia) had a combined increase of 1.7 percent in 2005. Besides most of New England, New Jersey was the only other northeastern state to post a decline with 3.7 percent.❖

MILC Program Sign-Up Begins

On March 15, the Farm Service Agency announced that dairy producers have until April 14, 2006, to sign up for the extended Milk Income Loss Contract (MILC) program. From October 1, 2005, through August 31, 2007, a dairy operation's monthly payment will equal the milk quantity sold in that month multiplied by 34 percent of the difference between $16.94 per hundredweight and that month's domestic Class I milk price. Producers may retroactively select any month beginning December 2005 through April 2006 for sign-up before April 14, 2006. Sign-up will continue after that date; however, after April 14, 2006, producers will not have the option to select a retroactive month for payment for which the payment rate has already been announced. FSA will make payments up to a maximum of 2.4 million pounds of milk produced and marketed by the dairy operation per fiscal year.

For more information or to apply, producers can contact their local FSA office or online at: www.fsa.usda.gov/dafp/psd/.❖

Tentative Calibration Truck Schedule, 2006

Month	Area
April	Eastern/Central New York Southeast Pennsylvania
May	Eastern New York/New Jersey Southeast Pennsylvania
June	Northern Pennsylvania/Central New York Western New York
July	Northern Pennsylvania/Central New York Western New York
August	Eastern New York Vermont/New Hampshire
September	Central New York/Fingerlakes Region Maine/Southern New England
October	Central Pennsylvania Southeast Pennsylvania
November	Southeast Pennsylvania

Average Daily Deliveries Per Producer by Federal Order

The accompanying map shows the annual average daily deliveries per producer (DDP) by Federal Milk Marketing Area for 2005. The number is calculated by dividing the total pooled milk receipts by the average number of producers for that time period.

The most significant factor that results in differing DDP across the various marketing areas is average herd size. Farm practices, such as milking frequency, feed quality, genetics, and use of bovine somatotropin (BST), can also impact a herd's productivity. Weather, particularly at the extremes, can impact a herd's productivity as well.

When it comes to DDP, it is clear on the map that there are two distinct groupings: those areas with a DDP below 7,000 pounds and those areas above 25,000 pounds. The Upper Midwest ranks last in DDP at 4,217 pounds a day per producer. The Northeast, next to last, had a DDP of 4,330 pounds a day. The Arizona-Las Vegas area ranked first with 92,466 pounds a day per producer. That is approximately 22 times greater than the DDP in the Midwest and Northeast. An average of just 87 producers were pooled on the Arizona-Las Vegas Order, compared with over 14,000 in each of the Northeast and Upper Midwest orders. Of the four regions with DDP over 25,000 pounds, three are in the western portion of the United States, the other is Florida.

The Northeast Order pooled the largest volume of milk in 2005, totaling over 23 billion pounds. Arizona-Las Vegas pooled the smallest amount, at about 3 billion pounds. It would take just 698 producers with average daily deliveries equal to that in the Arizona-Las Vegas Order to supply what 14,904 Northeast producers in 2005 generated.❖

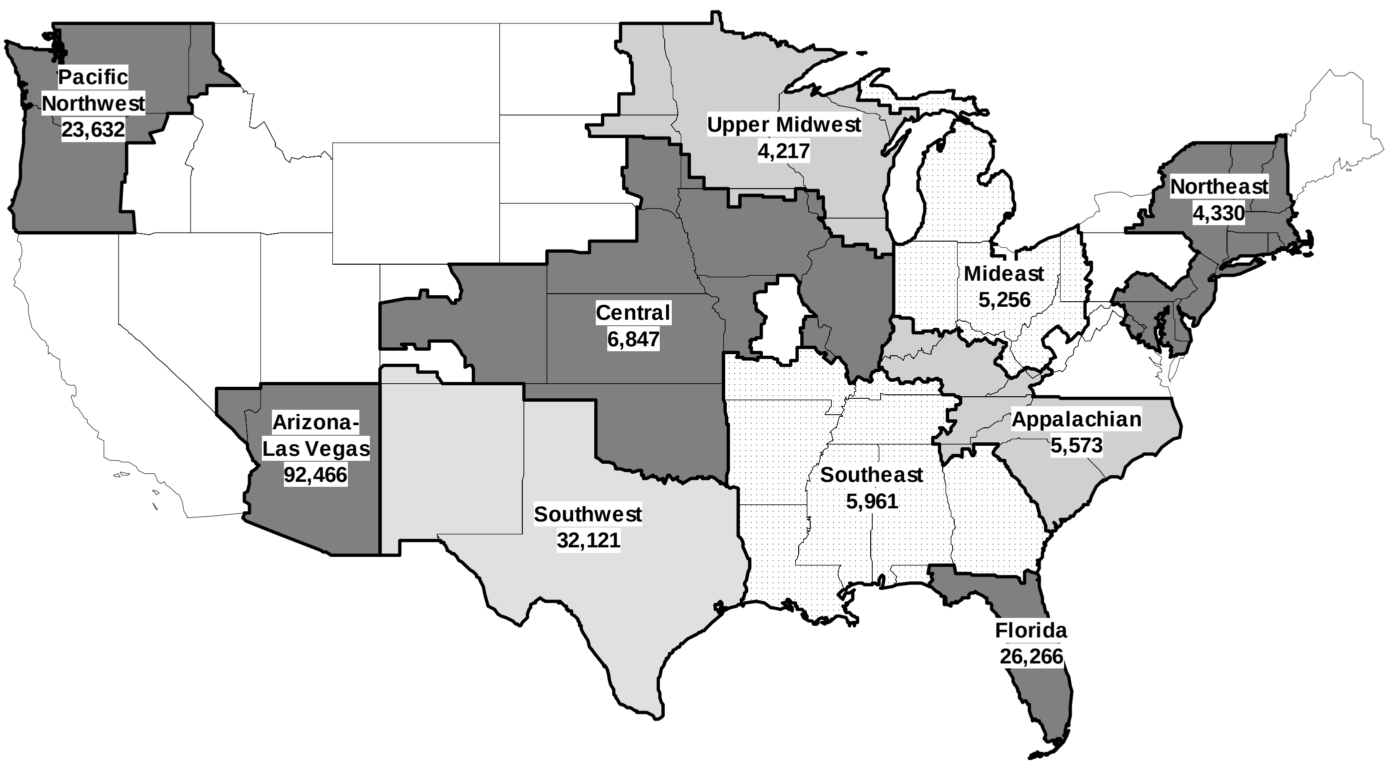
Recent Decisions *(continued from page 1)*

Public comments pertaining to the above decisions are due April 24, 2006.

On February 23, the USDA announced a final rule affecting the following orders:

- ***Pacific Northwest (Order No. 124) and Arizona-Las Vegas (Order No. 131)***—The rule establishes a three million pound per month route disposition limit, which if exceeded, would subject a producer-handler to the pooling and pricing provisions of the Orders. The final rule becomes effective April 1, 2006.❖

Average Daily Deliveries Per Producer by Federal Order, 2005



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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	795,460,029	$11.76	93,546,099.41	
	Butterfat	15,935,305	1.5096	24,055,936.43	
Less:	Location Adjustment to Handlers			(2,557,732.83)	$115,044,303.01
Class II—	Butterfat	25,707,714	1.3539	34,805,673.99	
	Nonfat Solids	28,839,154	0.9078	26,180,184.02	60,985,858.01
Class III–	Butterfat	16,772,960	1.3469	22,591,499.78	
	Protein	12,397,968	2.1220	26,308,488.07	
	Other Solids	23,197,609	0.1999	4,637,202.05	53,537,189.90
Class IV–	Butterfat	10,852,341	1.3469	14,617,018.12	
	Nonfat Solids	24,021,956	0.7359	17,677,757.45	32,294,775.57
Total Classified Value					**$261,862,126.49**
Add:	Overage—All Classes				85,681.32
	Inventory Reclassification—All Classes				3,851.31
	Other Source Receipts	20,438			797.39
Less:	Producer Component Valuations				(233,348,152.08)
	Subtotal				**$28,604,304.43**
Add:	Location Adjustment to Producers				8,707,571.61
	One-half Unobligated Balance—Producer Settlement Fund				1,096,986.59
Total Pool Milk & Aggregate Value		1,833,623,260			38,408,862.63
Less:	Producer Settlement Fund—Reserve				(819,585.77)
Producer Price Differential @ Suffolk County, MA (Boston)			**$2.05**		37,589,276.86
Statistical Uniform Price @ Suffolk County, MA (Boston)			**$14.25**		

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