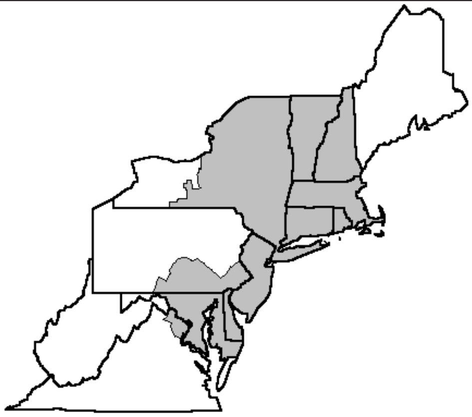

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 2006 Federal Order No. 1

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March Pool Price Calculation

The March 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $13.43 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 March producer price differential (PPD) at Suffolk County was $2.32 per hundredweight.

March's statistical uniform price was 82 cents per hundredweight below the February price; the March PPD was 27 cents above last month's. During March, all commodity prices declined resulting in lower producer component prices and lower class prices. The spread between the Class I price and the other class prices grew slightly and was reflected in a higher PPD.

The March producer protein test equaled 3.06 percent, unchanged from February and the highest protein test reported for the month of March since the Order's inception.❖

Dairy Price Support Programs Regional Payouts

Two major federal Government programs, which directly or indirectly impact what a milk producer received for their milk, are the Milk Price Support Program (MPSP) and the Milk Income Loss Contract (MILC) program.

Through the Milk Price Support Program, the Commodity Credit Corporation (CCC) purchases cheese, butter, and nonfat dry milk at a predetermined price. The effect of the program is to set a price floor for the price of milk. These commodity prices are set based on the current support price of milk and the cost of converting raw milk into those commodities. At present, The Farm Security and Rural Investment Act of 2002 set the price at $9.90 per hundredweight.

The MILC Program supports producers' income directly by paying the farmer an additional amount for the milk they produce if the Class I price in Boston drops below $16.94 per hundredweight. Producers may only receive MILC payments on up to 2.4 million pounds of production in a fiscal year.

The two programs combined have cost the federal government close to $3.5 billion during the 2002 through 2005 fiscal years; however, the

(continued on page 3)

Pool Summary

- A total of 14,457 producers were pooled under the Order with an average daily delivery per producer of 4,605 pounds.
- Pooled milk receipts totaled 2.064 billion pounds, an increase of 1.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.3 percent of total milk receipts, an increase of 1.0 percentage points from February.
- The average butterfat test of producer receipts was 3.77 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	45.3	935,322,653
Class II	18.5	381,590,325
Class III	21.4	441,630,742
Class IV	14.8	305,351,042
Total Pooled Milk		2,063,894,762

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	1.8836	2.5019
Butterfat Price	1.2596	1.7279
Other Solids Price	0.1874	0.0951

Class Price Factors

	2006	2005
	$/cwt	
Class I	15.74	18.68
Class II	11.69	13.25
Class III	11.11	14.08
Class IV	10.68	12.66

Biennial Container Survey

The results from the November 2005 container sales survey for the Northeast Milk Marketing Area were recently released. The survey is conducted biennially and records packaged sales data for the month of November. Information is collected from handlers operating plants regulated under Federal Order No. 1 that sell fluid packaged milk products on routes.

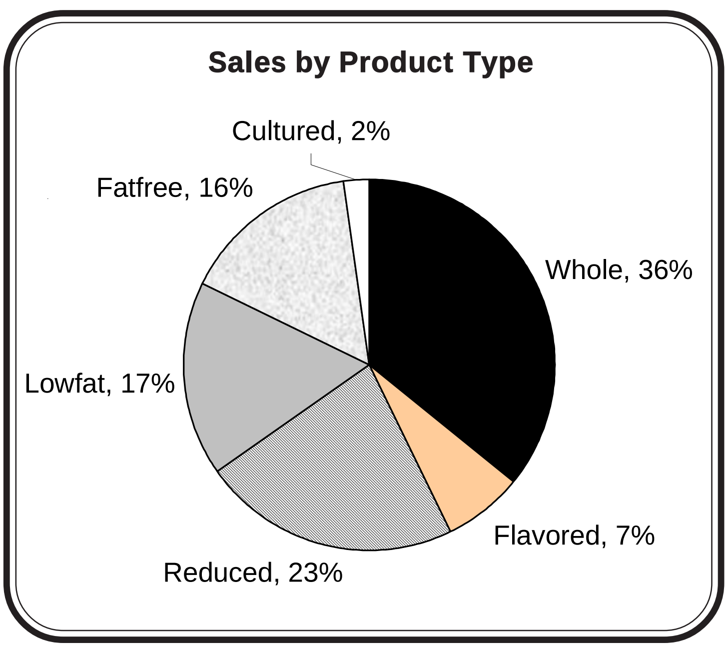
Packaged sales totaled 873.4 million pounds in November 2005; sales include whole, reduced fat (2%), low fat (1%), fat free (skim), flavored whole and low fat milk products, buttermilk, and eggnog. Data are collected for three container types (glass, paper, and plastic) and eleven different container sizes. Besides the standard plastic container sizes: gallon, half gallon, quart, 6-gallon, and 5-gallon, data is collected for the plastic single serve sizes: pint, half-pint, 14 ounce, 13.5 ounce, 12 ounce, and 10 ounce. Data for other sizes are collected, but grouped together in total volume.

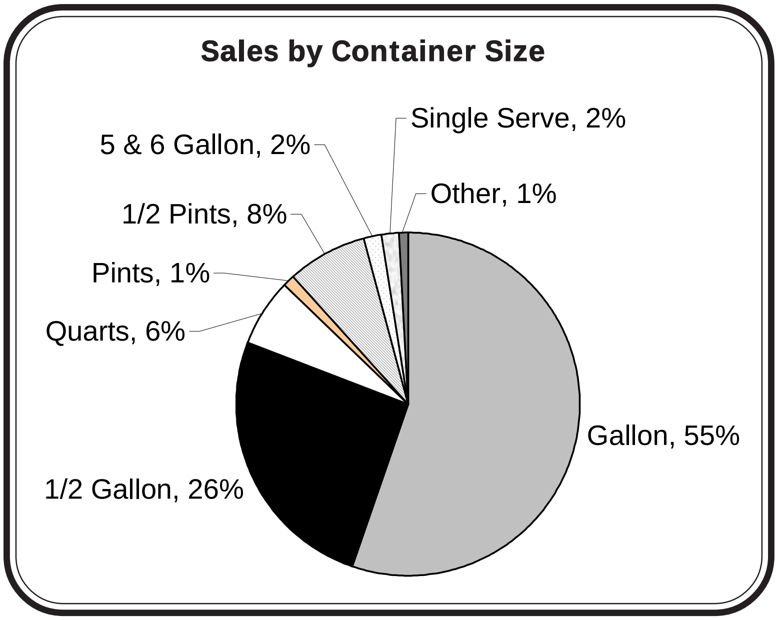
The survey also records the method of distribution by handler. All data are based on sales volume in pounds unless otherwise noted.

Container Type

Plastic containers have dominated for many years and accounted for 78.5 percent of all route sales in November 2005. Paper containers had 21.3 percent and glass only 0.2 percent sales. The small volume of glass containers are mainly used by a small number of handlers who have some delivery routes.

Of the handlers reporting, over 55 percent reported having sales in plastic single-serving size containers with a total volume of 16.1 million pounds (2.3 percent of the total volume sold in all plastic containers). The majority (30.8 percent of the volume) were sold in half pints, followed closely by pints with 28.4 percent. Handlers reported the 14 ounce containers at 13.9 percent and the 10 ounce size at 11.5 percent.





Container Size

Sales in gallon containers accounted for 55.2 percent of all sales, up 1.7 percent from the last survey in November 2003 (see chart). Half-gallons equaled 25.7 percent (down from 25.7 percent in 2003). Quarts had 6.3 percent; pints 1.6 percent; half-pints 8.1 percent; and 5- and 6-gallon containers together had 1.5 percent. The remainder was sold in the single serve and other sizes not identified.

All 5, 6, and 1 gallon containers were made of plastic. Of the glass containers, the only sizes reported were half-gallon and quart.

Product Type

Whole milk sales accounted for 35.7 percent of the total sales in November 2005 (see chart); down from 36.9 percent in 2003. Reduced fat was reported at 22.6 percent; low fat equaled 16.8 percent; and fat free had 15.8 percent (all up from 2003). Flavored whole and low fat milk products combined for a total of 7.0 percent; buttermilk had 0.4 percent; and eggnog was reported at 1.7 percent.

Method of Distribution

In the Order No. 1 marketing area, wholesale deliveries accounted for 99.8 percent of total sales in the 2005 survey; home deliveries made up the remaining 0.2 percent. Of the wholesale total, 50.8 percent were to supermarkets; 17.8 percent to dairy and convenience stores; 7.3 percent to institutions such as schools and military; and 23.9 percent to other wholesales establishments such as superstores/ hypermarkets, and wholesale clubs.❖

Promotion Board Appointments

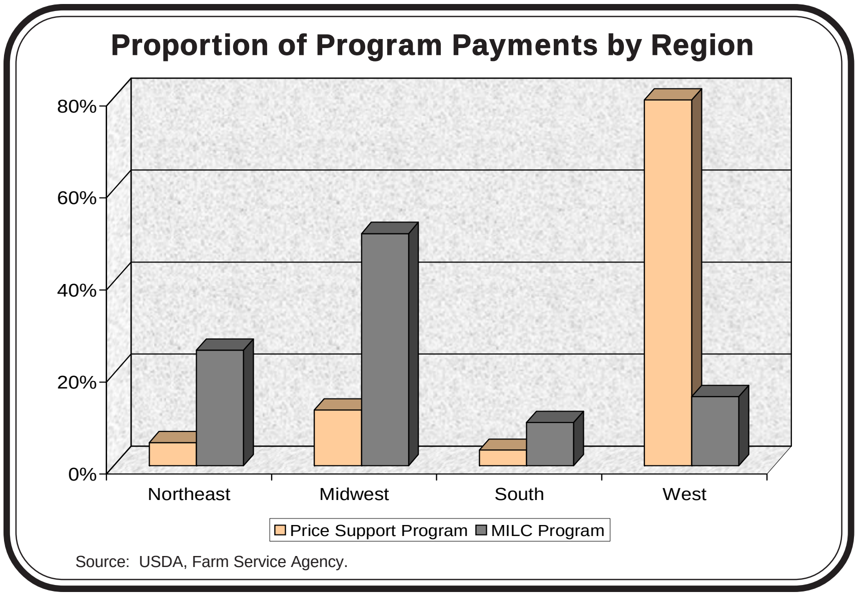
Four incumbents and five new members were recently named to the National Fluid Milk Processor Promotion Board. Locally appointed was Teresa E. Webb of Wallington, New Jersey, as an At-Large Processor. She is filling a vacant position whose term will expire June 30, 2007.❖

Dairy Price Support Programs *(continued from page 1)*

payouts under each program tend to be regionalized. The value of purchases under MPSP during this period totaled $1.6 billion. Of that amount, $1.3 billion dollars, or almost 80 percent, was purchased from the West region. During 2002–2005, 19 states produced products purchased by the MPSP; 7 Western states (Arizona, California, Colorado, Idaho, New Mexico, Oregon, and Washington), 7 Midwest states (Iowa, Indiana, Minnesota, Missouri, Nebraska, South Dakota, and Wisconsin), 3 Northeast states (Massachusetts, Pennsylvania, and Vermont), and 2 Southern states (Louisiana and Texas).

The MILC Program paid out over $2 billion during the same period. Every state and Puerto Rico and the Virgin Islands received MILC payments. Of the total, the Midwest region received just over $1 billion dollars, about half. The Northeast received the second largest portion of MILC payments, totaling $508 million, or about 25 percent. The West region received just 15 percent of MILC payments.

It should be noted that the MPSP does not pay producers directly. Its purchases of manufactured commodities supports the price farmers in all regions receive for their milk price.



The current federal government budget environment has resulted in pressure to reduce funding to all support programs. In fact, the percentage used in the extended MILC Program formula was reduced from 45 percent to 34 percent in an effort by lawmakers to keep the program cost to below $1 billion total for 2006 and 2007.❖

MILC Calculator on Website

With the extension of the Milk Income Loss Contract (MILC) Program through September 2007, the Northeast Market Administrator has placed a MILC payment calculator on its website at http://www.fmmone.com/Northeast_Order_Prices/MILC%20calculator/DMLP.htm. Or, go to the homepage at www.fmmone.com and find "Monthly Milk Income Loss Contract Program (MILC) Calculation."

The calculator includes retroactive payments under the extended program to October 2005, as well as all payments under the originally authorized program dating back to December 2001. The calculator is updated on the same day as the release of the advanced Class I price (the Friday before the 23rd of the month, unless this date is Friday.)

Under the extended MILC Program, 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. The Farm Service Agency will make payments up to a maximum of 2.4 million pounds of milk produced and marketed by the dairy operation per fiscal year.❖

Pool Summary for All Federal Orders, January–March, 2005–2006

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2005	2006	Change	2005	2006	2005	2006
		pounds		percent	dollars per hundredweight			
1	Northeast	5,831,187,822	5,883,820,078	0.9	1.65	1.92	15.95	14.15
5	Appalachian	1,659,484,563	1,586,377,854	(4.4)	N/A	N/A	16.66	14.89
6	Florida	834,197,367	840,064,754	0.7	N/A	N/A	18.11	16.15
7	Southeast	1,936,366,372	2,208,871,403	14.1	N/A	N/A	16.53	14.54
30	Upper Midwest	5,029,387,236	6,545,241,549	30.1	0.21	0.44	14.51	12.67
32	Central	3,306,985,600	3,852,982,416	16.5	0.42	0.65	14.73	12.89
33	Mideast	4,411,920,185	4,445,784,060	0.8	0.65	0.96	14.96	13.20
124	Pacific Northwest	1,541,114,051	1,910,883,311	24.0	0.15	0.40	14.45	12.63
126	Southwest	2,144,409,670	2,792,077,878	30.2	1.38	1.49	15.69	13.73
131	Arizona-Las Vegas	754,887,725	810,462,931	7.4	N/A	N/A	14.89	13.00
	All Market Total/Average	27,449,940,591	30,876,566,234	12.5	0.74	0.98	15.65	13.78

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.

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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	916,910,105	$11.20	102,693,931.76	
	Butterfat	18,412,548	1.4093	25,948,803.90	
Less:	Location Adjustment to Handlers			(2,923,239.90)	$125,719,495.73
Class II—	Butterfat	29,504,103	1.2666	37,369,896.90	
	Nonfat Solids	32,171,064	0.8356	26,882,141.10	64,252,038.00
Class III–	Butterfat	18,579,473	1.2596	23,402,704.20	
	Protein	13,490,892	1.8836	25,411,444.18	
	Other Solids	25,170,307	0.1874	4,716,915.55	53,531,063.93
Class IV–	Butterfat	11,259,511	1.2596	14,182,480.07	
	Nonfat Solids	26,873,563	0.7224	19,413,461.92	33,595,941.99
Total Classified Value					**$277,098,539.65**
Add:	Overage—All Classes				28,093.57
	Inventory Reclassification—All Classes				63,737.08
	Other Source Receipts	754,258			24,324.01
Less:	Producer Component Valuations				(239,218,531.65)
	Subtotal				**$37,996,162.66**
Add:	Location Adjustment to Producers				9,731,445.28
	One-half Unobligated Balance—Producer Settlement Fund				1,032,485.57
Total Pool Milk & Aggregate Value		2,064,649,020			48,760,093.51
Less:	Producer Settlement Fund—Reserve				(860,236.22)
Producer Price Differential @ Suffolk County, MA (Boston)			**$2.32**		47,899,857.29
Statistical Uniform Price @ Suffolk County, MA (Boston)			**$13.43**		

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