The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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May 2006 Federal Order No. 1

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May Pool Price Calculation

The May 2006 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $12.61 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 May producer price differential (PPD) at Suffolk County was $1.78 per hundredweight.

May's statistical uniform price was only 3 cents per hundredweight below the April price; the May PPD was only 7 cents above last month's. During May, commodity prices for cheese rose slightly, butter increased about 2 cents per pound, and nonfat dry milk and dry whey prices declined. This resulted in lower producer component prices for protein, nonfat and other solids while the butterfat price rose slightly. All class prices declined somewhat resulting in a relatively small change in both the blend price and PPD.

The May producer protein test equaled 3.02 percent, the highest protein test reported for the month of May since the Order's inception.❖

Fluid Milk Product Definition

On May 16, the USDA issued a recommended decision to amend the Class I fluid milk product definition for all federal milk marketing orders. The decision was based on the record of a public hearing held June 20-23, 2005 in Pittsburgh, PA.

The decision recommends maintaining the current 6.5 percent nonfat milk solids criteria and incorporating an equivalent 2.25 percent true protein criteria to determine if a product meets the fluid milk product definition for classification as a Class I product. The decision states that these criteria are not intended to be absolute determinates of whether a product meets the fluid milk product definition. The form and intended use of the product will be the primary criteria used by USDA in determining whether a product is a fluid milk product, as required by the Agriculture Marketing Agreement Act. The decision also proposes to clarify how milk and milk-derived ingredients should be priced under federal orders.

The recommended decision proposes that, regardless of packaging, "drinkable" yogurts containing at least 20 percent yogurt, Keifir (a cultured drinkable yogurt type product) and products designed to be meal replacements should be exempted from the fluid milk product definition.

(continued on page 2)

Pool Summary

- A total of 14,326 producers were pooled under the Order with an average daily delivery per producer of 4,662 pounds.
- Pooled milk receipts totaled 2.071 billion pounds, relatively unchanged from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 43.2 percent of total milk receipts, an increase of 1.7 percentage points from April.
- The average butterfat test of producer receipts was 3.67 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	43.2	895,221,852
Class II	19.5	403,233,049
Class III	21.6	448,140,403
Class IV	15.7	324,020,664
Total Pooled Milk		2,070,615,968

Producer Component Prices

	2006	2005
	$/lb	
Protein Price	1.9115	2.5965
Butterfat Price	1.2582	1.5475
Other Solids Price	0.1251	0.1043

Class Price Factors

	2006	2005
	$/cwt	
Class I	14.22	18.05
Class II	11.13	12.78
Class III	10.83	13.77
Class IV	10.33	12.20

“Tanker Load Per Day” Farms by State

During January 2006 (verified payroll data), there were 91 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 203 million pounds on the Order. The number of farms producing at least 1.5 million pounds a month increased by 20 since January 2002. These “large” farms represented 10.2 percent of the total milk pooled on the Northeast Order in January 2006, compared to 7.1 percent in 2002.

Farms by Size Under the Northeast Order, January 2002 and 2006

Farm Size by Pounds	No. of Farms Jan-02	Percent of Farms	No. of Farms Jan-06	Percent of Farms	Change in No. of Farms	Percent Change
0-49,999	4,336	25.4	3,804	26.3	(532)	(12.3)
50,000-99,999	6,233	36.6	5,090	35.1	(1,143)	(18.3)
100,000-199,999	4,255	25.0	3,544	24.5	(711)	(16.7)
200,000-499,999	1,667	9.8	1,475	10.2	(192)	(11.5)
500,000-749,999	279	1.6	256	1.8	(23)	(8.2)
750,000-1,499,999	208	1.2	220	1.5	12	5.8
1,500,000 an up	71	0.4	91	0.6	20	28.2
Total	17,049		14,480		(2,569)	(15.1)

These 91 farms represent just 0.6 percent of the 14,480 farms pooled on the Northeast Order. The greatest numbers of “large” farms pooled on the Order operate farms in New York, and these 66 farms pool a total of 154 million pounds of milk. New York has experienced most of the growth in these size farms in the Northeast. Of the increase of 20 “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 has been zero since 2002. Farms pooling between 750,000 and 1.5 million pounds a month increased by 12 farms during this period.

Milk by State and Farm Size Under the Northeast Order, 2002 and 2006

	Total Pooled		Farms Marketing 1.5 Million Lbs. or More			
	2006		2006		2002	
State/Area	Number of Farms	Million Pounds	Number of Farms	Million Pounds	Number of Farms	Million Pounds
VT	1,175	225	15	30	9	16
Other New England[1/]	840	128	4	8	3	6
NY	5,461	837	66	154	57	126
PA	6,098	671	6	11	0	0
Other Inside Area[2/]	832	119	0	0	0	0
Other Outside Area[3/]	74	6	0	0	2	8
Total	14,480	1,986	91	203	71	156

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, IN, MI, MN, ND, NV, OH, UT, WI, and WV.

Roughly 77 percent of farms pooling on the Northeast marketed between 30,000 and 249,999 pounds of milk during January. Farms producing 70,000 to 99,999 pounds a month represent the largest number of farms by size at over 19 percent of all farms. This category of farms also experienced the largest drop, with an almost 19 percent decline in farm numbers since 2002. The under 20,000 pound per month farm size was the only other size category that showed growth during the time period in question. The net growth of 15 farms was led by a growth of 63 farms of that size in New York, followed by 17 and 11 additional farms from Maine and Ohio, respectively.

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.❖

Fluid Milk *(continued from page 1)*

Public comments on this recommended decision are due **July 17, 2006** and should be sent to Hearing Clerk, Stop 9200, Room 1031, U.S. Department of Agriculture, 1400 Independence Ave., S.W., Washington, D.C. 20250-9200, or throught e-mail to amsdairycomments@usda.gov.

For additional information or to obtain a copy of the decision contact Peter Fredericks at (518)452-4410. Information related to this hearing and decision can also be found at the following web address: http://www.ams.usda.gov/dairy/class_I_defintion.htm.❖

State Highlight—Pennsylvania

This month the Bulletin highlights statistics that characterize Pennsylvania, the second largest production state of the Northeast marketing area. The following statistics highlight Pennsylvania for April 2006.

Northeast Pool:

Pennsylvania Pounds:	692 million (34.5% of Northeast Order)
Pennsylvania Producers:	6,112 (42.4% of Northeast Order)

Total Production (million pounds):

Pennsylvania:	919 (national rank, 4th)
Idaho:	884 (national rank, 5th)
Minnesota:	709 (national rank, 6th)

Top 5 Pennsylvania Production Counties (52.2 percent of all Pennsylvania milk pooled):

Lancaster:	192.1	million pounds
Franklin:	63.5	million pounds
Chester:	37.0	million pounds
Bradford:	34.7	million pounds
Berks:	34.5	million pounds

Average Component Tests:

Pennsylvania:	Butterfat 3.68	Protein 2.99	Other Solids 5.68
Northeast Order:	Butterfat 3.71	Protein 3.04	Other Solids 5.73

Average Daily Delivery per Producer:

Pennsylvania:	3,773
Northeast Order:	4,633

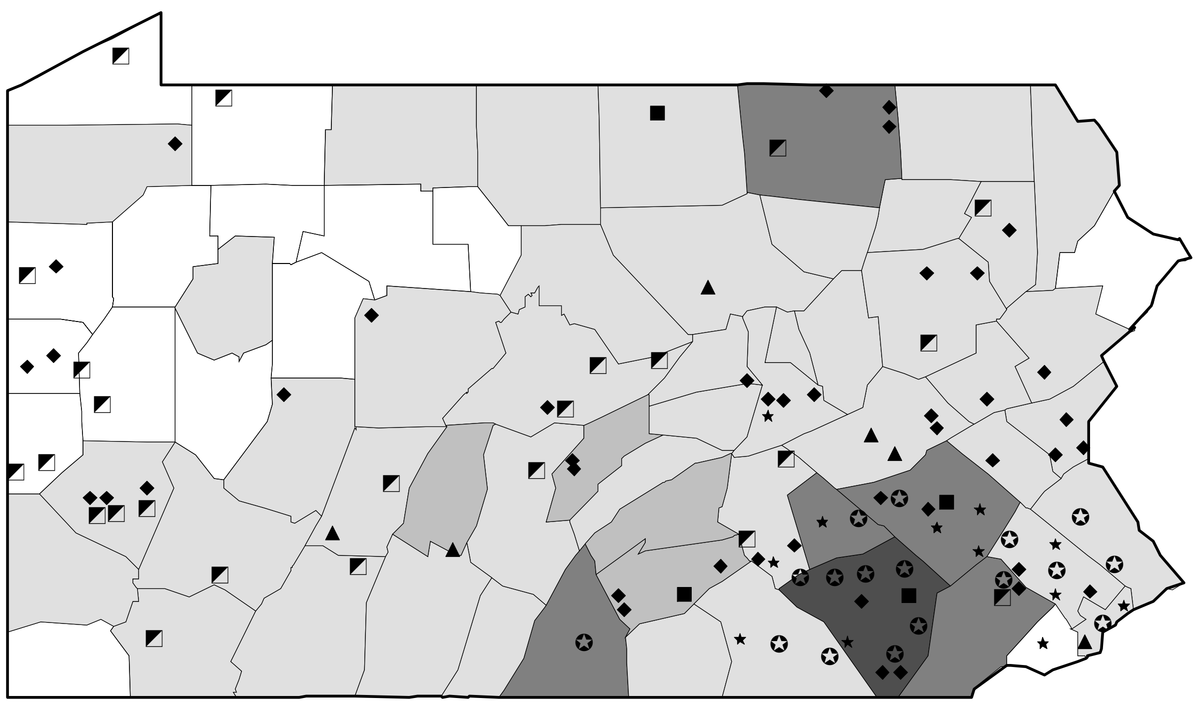
Average Herd Size—Number of Cows (2002 Census of Agriculture):

Pennsylvania:	61
Idaho:	398
Minnesota:	74
United States:	99

***Pennsylvania Plants*:**

Fluid:	42
Manufacturing:	64
Total Plants in PA State:	106
Total Northeast Order regulated plants receiving pool milk (excludes Producer-Handlers and Exempt Distributors):	45

Location of Pennsylvania Dairy Plants, April 2006



Type of Plant

- ★ Pool Distributing Plant
- ■ Pool Supply Plant
- ▲ Partially Regulated Distributing Plant
- ◆ Non-Pool Manufacturing Plant
- ✪ Producer-Handler/Exempt Distributing Plant
- ◩ Non-Order 1 Pool Fluid Plant

Pounds

- Under 15, 000,000
- 15,000,000 to 34,000,000
- 34,000,00 to 100,000,000
- Over 100,000,000

Note: Not all Pennsylvania plants and producers are regulated by the Northeast 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	877,857,751	$10.15	89,102,561.73	
	Butterfat	17,364,101	1.2656	21,976,006.23	
Less:	Location Adjustment to Handlers			(2,776,974.05)	$108,301,593.93
Class II—	Butterfat	30,649,637	1.2652	38,777,920.75	
	Nonfat Solids	33,856,721	0.7711	26,106,917.55	64,884,838.30
Class III–	Butterfat	17,814,430	1.2582	22,414,115.82	
	Protein	13,485,241	1.9115	25,777,038.18	
	Other Solids	25,598,437	0.1251	3,202,364.45	51,393,518.45
Class IV–	Butterfat	10,070,398	1.2582	12,670,574.75	
	Nonfat Solids	28,580,029	0.6819	19,488,721.77	32,159,296.52
Total Classified Value					**$256,739,247.20**
Add:	Overage—All Classes				97,304.25
	Inventory Reclassification—All Classes				163,247.89
	Other Source Receipts	44,762			1,477.30
Less:	Producer Component Valuations				(230,075,981.66)
	Subtotal				**$26,925,294.98**
Add:	Location Adjustment to Producers				9,805,108.37
	One-half Unobligated Balance—Producer Settlement Fund				1,013,473.42
Total Pool Milk & Aggregate Value		2,070,660,730			37,743,876.77
Less:	Producer Settlement Fund—Reserve				(886,115.86)
Producer Price Differential @ Suffolk County, MA (Boston)			**$1.78**		36,857,760.91
Statistical Uniform Price @ Suffolk County, MA (Boston)			**$12.61**		

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