

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

September 2006

Federal Order No. 1

To contact the Northeast Marketing Area offices:

Boston, MA: phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; *Albany, NY:* phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA:* phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; *website address:* www.fmmone.com

September Pool Price Calculation

The September 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. Based upon the pool average producer component tests, the SUP would be \$13.80 per hundredweight. The September producer price differential (PPD) at Suffolk County was \$1.14 per hundredweight.

September's statistical uniform price was 37 cents per hundredweight above the August price; the September PPD was 86 cents below last month's. During September all commodity prices rose slightly. All class prices increased except the Class I price, which is announced on an advanced basis and is calculated using prices from the previous month. The higher commodity prices, combined with higher component tests, resulted in a higher producer component value and a lower PPD than last month.

The average producer tests (see Pool Summary) for protein and butterfat were the highest on record for the month of September since the Order's inception. ❖

Milk Moving South Decreases

During September, bulk milk shipments to other federal orders totaled 29.1 million pounds. Of this total, 28.3 million pounds (97 percent) were sent south to the Appalachian, Florida, and Southeast federal milk marketing orders. This is down from the 31.5 million pounds sent south in August and the 29 million pounds sent during September 2005 (see accompanying table on page 3).

Milk received by handlers pooled on the Northeast Order that came from handlers pooled on other federal orders totaled 48.9 million pounds during September. Of this total, 19.2 million came from the southern federal orders, up from the 18.9 million pounds received in August and the 6.1 million pounds in September 2005. Most of this milk came from the neighboring Appalachian Order.

Overall, these movements resulted in a net amount of 9.1 million pounds more shipments than receipts to the southern orders during September 2006. During August, the amount was 12.6 million more shipments going south than received from the south. In September 2005, *(continued on page 3)*

Pool Summary

- A total of 14,119 producers were pooled under the Order with an average daily delivery per producer of 4,122 pounds.
- Pooled milk receipts totaled 1.746 billion pounds, a decrease of 0.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 52.1 percent of total milk receipts, an increase of 3.3 percentage points from August.
- The average butterfat test of producer receipts was 3.68 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.66 percent. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 52.1 | 909,702,956 |
| Class II | 21.1 | 369,455,352 |
| Class III | 22.3 | 388,901,090 |
| Class IV | 4.5 | 78,301,847 |
| Total Pooled Milk | | 1,746,361,245 |

Producer Component Prices

| | 2006 | 2005 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 2.1346 | 2.3009 |
| Butterfat Price | 1.4191 | 1.8872 |
| Other Solids Price | 0.1649 | 0.1411 |

Class Price Factors

| | 2006 | 2005 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 14.10 | 16.95 |
| Class II | 11.74 | 14.35 |
| Class III | 12.29 | 14.30 |
| Class IV | 11.10 | 13.75 |

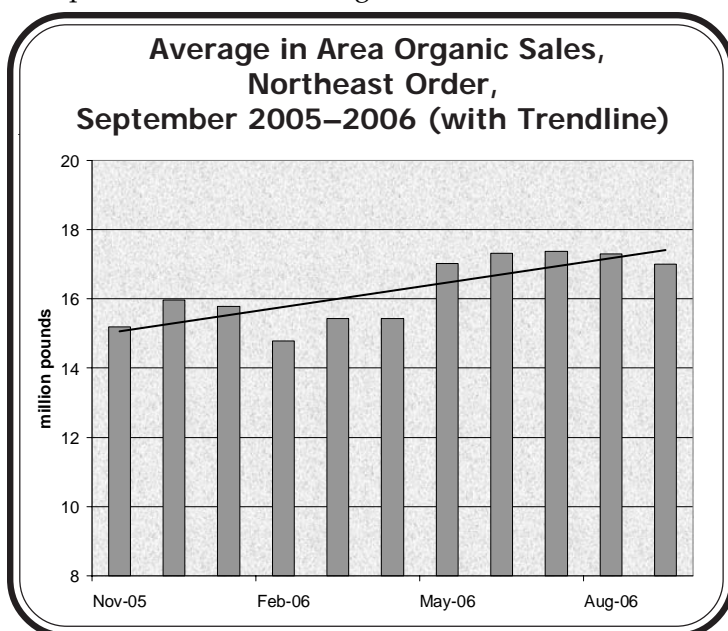
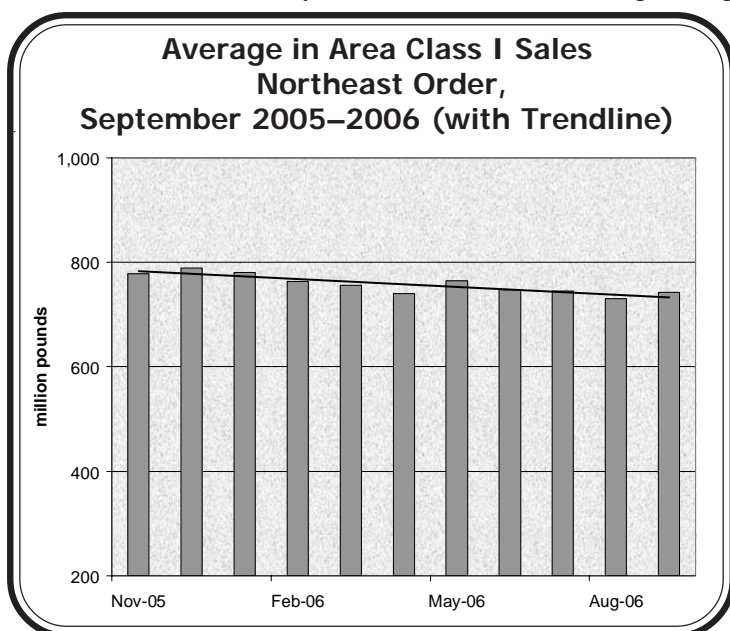
Northeast Class I Sales Decline Slightly; Organic Sales Trend Upward

According to USDA's Agricultural Marketing Service data, estimated total United States sales of fluid milk products through the first 8 months of 2006 are up 1.13 percent. The months of September through December would have to average below 4.6 billion pounds in sales a month to finish the year below 2005 total sales, a value 61 million pounds below the 2006 monthly average to date. In the Northeast Marketing Area, in-area Class I sales have declined 0.52 percent in the first 8 months of 2006, compared to the same period in 2005.

Sales of organic milk products also have been strong nationally and in the Northeast. According to the Organic Trade Association, organic dairy product sales grew 23.6 percent in 2005. Dairy products accounted for 15 percent of all organic food sales that year. The USDA Economic Research Service claimed that dairy has been one of the fastest growing

segments of the organic foods industry, and organic milk cows accounted for 1 and 2 percent of total certified dairy cows in California and Wisconsin, respectively.

USDA and the Northeast Federal Order began collecting data on organic sales in September 2005. Handlers are asked to breakout sales of organic products and variations could occur do to this new requirement. The accompanying charts show 3-month moving averages of total Class I sales and total organic sales in the Northeast Marketing Area since that time. The charts show sales of organic fluid milk sales rising even while overall Class I sales decline. Average Northeast Marketing Area Class I utilization is up from 44.2 percent during the first 3 quarters in 2005 to 45.2 percent during the same time period in 2006. This increase is a result of a decline of about 548 million pounds of milk receipts on the Order during this time. ❖



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

| Federal Order Number | Federal Order Name | Total Producer Milk | | | Producer Price Differential# | | Statistical Uniform Price#* | |
|--------------------------|-----------------------|---------------------|----------------|----------|---------------------------------|------|--------------------------------|-------|
| | | 2005 | 2006 | Change** | 2005 | 2006 | 2005 | 2006 |
| | | pounds | | | percent | | dollars per hundredweight | |
| 1 | Northeast | 17,871,159,859 | 17,321,647,034 | (3.1) | 1.57 | 1.74 | 15.73 | 13.29 |
| 5 | Appalachian | 4,870,422,193 | 4,717,161,994 | (3.1) | N/A | N/A | 16.28 | 13.78 |
| 6 | Florida | 2,386,838,889 | 2,360,548,680 | (1.1) | N/A | N/A | 17.61 | 15.03 |
| 7 | Southeast | 5,768,165,033 | 6,203,436,168 | 7.5 | N/A | N/A | 16.18 | 13.63 |
| 30 | Upper Midwest | 16,091,635,845 | 19,814,592,255 | 23.1 | 0.26 | 0.35 | 14.42 | 11.90 |
| 32 | Central | 10,154,745,049 | 10,910,707,804 | 7.4 | 0.41 | 0.52 | 14.57 | 12.08 |
| 33 | Mideast | 13,757,848,282 | 13,159,454,672 | (4.3) | 0.64 | 0.76 | 14.80 | 12.32 |
| 124 | Pacific Northwest | 5,197,091,728 | 5,898,984,292 | 13.5 | 0.12 | 0.28 | 14.28 | 11.83 |
| 126 | Southwest | 7,026,541,534 | 8,678,700,064 | 23.5 | 1.30 | 1.37 | 15.46 | 12.93 |
| 131 | Arizona~ | 2,220,094,756 | 2,530,493,537 | 14.0 | N/A | N/A | 14.72 | 12.30 |
| All Market Total/Average | | 85,344,543,168 | 91,595,726,500 | 7.3 | 0.72 | 0.84 | 15.41 | 12.91 |

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

** A significant amount of milk was depooled during 2005 in some orders.

~ Formerly Arizona-Las Vegas Order; name changed effective May 1, 2006.

CCC Only Purchased NFDM During MY

For the marketing year (MY) October 1, 2005, through September 30, 2006, the Commodity Credit Corporation (CCC) purchased only nonfat dry milk under the dairy price support program. On a total solids milk equivalent basis, purchases equaled about 452.6 million pounds. This was twice as much as last year's volume, but still relatively low when comparing purchases over the past fifteen years (see accompanying table). Milk production during MY 2005-06 was 3.2 percent higher than during the previous MY. The increase in production was not offset by demand resulting in an increase in purchases of NFDM.

For the past three marketing years, the CCC has not purchased any cheese or butter. The only activity involving butter during the past three MYs was a cancellation of butter that had been offered during the previous MY. The last time the CCC purchased butter was in mid-June 2003. The last time the CCC purchased cheese under the program was during the third week of July 2003; the last activity consisted of cancellations (of previous purchases) during September 2003.

There were no uncommitted inventories of any of the products purchased by the CCC at MY end. The last time uncommitted inventories were held was at the end of MY 2003-04 with a total of 609.9 million pounds of NFDM (no butter or cheese). ❖

CCC Purchases of Dairy Products Under the Support Program, 1991-2006*

| MY** Ending | Butter | Cheese | NFDM | Milk |
|------------------|--------|--------|-------|---------------------|
| | | | | Equivalent Total |
| (million pounds) | | | | |
| 1991 | 442.8 | 76.9 | 269.5 | 6,539.7 |
| 1992 | 403.5 | 56.3 | 9.4 | 4,156.2 |
| 1993 | 327.6 | 4.9 | 18.0 | 3,055.2 |
| 1994 | 168.6 | 0.0 | 50.8 | 1,841.1 |
| 1995 | 26.4 | 0.0 | 24.6 | 406.2 |
| 1996 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1997 | 0.0 | 1.9 | 31.9 | 244.1 |
| 1998 | 0.0 | 0.0 | 121.3 | 857.6 |
| 1999 | 0.0 | 0.0 | 186.1 | 1,315.9 |
| 2000 | 0.0 | 6.9 | 490.0 | 3,532.1 |
| 2001 | 0.0 | 1.1 | 398.9 | 2,927.7 |
| 2002 | 0.0 | 7.4 | 653.2 | 4,690.0 |
| 2003 | 11.4 | 41.1 | 624.6 | 4,913.5 |
| 2004 | 0.0 # | 0.0 | 361.9 | 2,558.7 |
| 2005 | 0.0 | 0.0 | 31.8 | 225.0 |
| 2006 | 0.0 | 0.0 | 64.0 | 452.6 |

Sources: Commodity Credit Corporation; *Dairy Market News*.

* Does not include purchases under Dairy Export Incentive Program.

** Marketing year: October 1 through September 30.

Negative value less than 50,000 pounds (sellbacks were greater than purchases).

USDA Seeks Nominations for Promotion Board

The USDA is seeking nominations for the National Fluid Milk Processor Promotion Board. Seven individuals will be appointed to serve 3-year terms from July 1, 2007, through June 30, 2010. They will represent five geographic regions and two at-large positions. One of the open positions will represent Region 1 (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont).

Nominations should be submitted by November 3, 2006, to: Promotion and Research Branch, Dairy Programs, USDA, AMS, MRP, 1400 Independence Ave., S.W., Stop 0233, Room 2958-S, Washington, D.C. 20250-0233. For forms or information, call (202) 720-6909 or visit the Dairy Promotion and Research Board's website at <http://www.ams.usda.gov/dairy>. ❖

Milk Moving *(continued from page 1)*

the net amount was 22.9 million pounds shipped to southern orders. It is normal to have more milk shipped out of the Northeast Order than received during this time of year as milk production in the southern United States falls short of fluid demands, especially as schools open. Also, during the past years, additional demands have been placed on the South due to shortages resulting from the hurricanes that have hit that area during late August and early September.

The remainder of the milk shipped out of the Northeast went to the Mideast (Order No. 33). Of the milk received from other federal orders, a majority came from the Mideast, with small amounts from the Upper Midwest (Order No. 30) and Central (Order No. 32). ❖

Milk Movements: Northeast to/from Other Federal Orders

| | | August | | | September | | |
|---------|------------|----------------|---------------|---------------|---------------|---------------|--------------|
| | | 2004 | 2005 | 2006 | 2004 | 2005 | 2006 |
| | | million pounds | | | | | |
| Total* | Received | 24.8 | 21.7 | 43.9 | 20.3 | 26.2 | 48.9 |
| | Shipped | 21.3 | 20.8 | 32.5 | 31.0 | 29.9 | 29.1 |
| | Net | 3.5 | 0.9 | 11.4 | (10.6) | (3.7) | 19.8 |
| South** | Received | 12.2 | 8.6 | 18.9 | 6.9 | 6.1 | 19.2 |
| | Shipped | 20.7 | 20.0 | 31.5 | 30.4 | 29.0 | 28.3 |
| | Net | (8.5) | (11.4) | (12.6) | (23.5) | (22.9) | (9.1) |

* Includes Order Nos. 5, 6, 7, 30, 32, and 33.

** Includes Order Nos. 5, 6, and 7.



MARKET ADMINISTRATOR
 One Columbia Circle
 Albany, NY 12203-6379

PRESORTED
 FIRST-CLASS MAIL
 U.S. Postage
PAID
 Alexandria, VA
 Permit 355

RETURN SERVICE REQUESTED

FIRST CLASS MAIL

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

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 | 892,084,656 | \$9.89 | 88,227,172.48 | |
| Butterfat | 17,618,300 | 1.3028 | 22,953,121.24 | |
| Less: Location Adjustment to Handlers | | | (2,894,531.08) | \$108,285,762.68 |
| Class II— Butterfat | 27,364,233 | 1.4261 | 39,024,132.70 | |
| Nonfat Solids | 30,849,702 | 0.7767 | 23,960,963.55 | 62,985,096.25 |
| Class III— Butterfat | 15,185,886 | 1.4191 | 21,550,290.81 | |
| Protein | 11,825,265 | 2.1346 | 25,242,210.67 | |
| Other Solids | 21,972,152 | 0.1649 | 3,623,207.88 | 50,415,709.36 |
| Class IV— Butterfat | 4,176,903 | 1.4191 | 5,927,443.09 | |
| Nonfat Solids | 6,707,800 | 0.7066 | 4,739,731.49 | 10,667,174.58 |
| Total Classified Value | | | | \$232,353,742.87 |
| Add: Overage—All Classes | | | | 122,355.50 |
| Inventory Reclassification—All Classes | | | | 388,551.52 |
| Other Source Receipts | 15,351 Pounds | | | 337.73 |
| Total Pool Value | | | | \$232,864,987.62 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (221,034,593.78) |
| Total PPD Value Before Adjustments | | | | \$11,830,393.84 |
| Add: Location Adjustment to Producers | | | | 8,161,517.74 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 751,566.38 |
| Less: Producer Settlement Fund—Reserve | | | | (834,784.78) |
| Total Pool Milk & PPD Value | 1,746,376,596 Producer pounds | | | 19,908,693.18 |
| Producer Price Differential | | \$1.14 | | |
| Statistical Uniform Price | | \$13.43 | | |

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