The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

June 2007 Federal Order No. 1

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June Pool Price Calculation

The June 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $20.80 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. If reported at the average tests of producer pooled milk, the SUP would be $20.94 per hundredweight. June's statistical uniform price was $2.20 per hundredweight above the May price.

The June producer price differential (PPD) at Suffolk County was $0.63 per hundredweight, 37 cents below last month's. The narrow spread in the class prices plus the second highest producer payout combined to lower the PPD even though the blend price was the highest ever. Some handlers elected to depool milk during June because the blend price in the outer zones was below the Class III price. However, the volume depooled and the spread between the Class III price and the SUP was not enough to impact the pool price calculation.

All commodity prices increased, driving up all class prices considerably. The Class I price rose $1.92 cents; Class II increased $2.27; Class III jumped $2.57, and the Class IV price rose $2.28 per hundredweight. For the fourth month in a row, Class II was the lowest priced class even though June's price ($18.89) was the highest Class II price since the Order's inception. The Class IV price for June ($20.76) was the highest on record, surpassing last month's record-setting $18.48 per hundredweight. See related article on record-setting prices.❖

Record-Setting Prices

The June statistical uniform price of $20.80 per hundredweight (at Suffolk County, MA) is the highest since the Order's inception in January 2000. This surpasses the previous record of $19.84 per hundredweight set in May 2004.

During June 2007, three of the classes had prices over $20.00 per hundredweight: Class I at $21.09, Class III at $20.17, and Class IV at $20.76. The June Class IV price is a new record topping last month's $18.48 per hundredweight. The June Class II price of $18.89 per hundredweight also set a new record, exceeding last month's $16.62 per hundredweight. Even though the Class I and III prices are relatively high (over $20.00), neither are record-setting; the highest Class I price

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Pool Summary

- A total of 13,679 producers were pooled under the Order with an average daily delivery per producer of 4,524 pounds.
- Pooled milk receipts totaled 1.857 billion pounds, a decrease of 3.5 percent from last month on an average daily basis. Approximately 41 million pounds were depooled during June.
- Class I usage (bottling) accounted for 44.8 percent of total milk receipts, an increase of 0.2 percentage points from May.
- The average butterfat test of producer receipts was 3.58 percent.
- The average true protein test of producer receipts was 2.99 percent.
- The average other solids test of producer receipts was 5.71 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	44.8	832,225,239
Class II	21.8	405,972,527
Class III	22.0	407,910,913
Class IV	11.4	210,990,568
Total Pooled Milk		1,857,099,247

Producer Component Prices

	2007	2006
	$/lb	
Protein Price	3.7059	2.0790
Butterfat Price	1.6457	1.2436
Other Solids Price	0.5831	0.1255

Class Price Factors

	2007	2006
	$/cwt	
Class I	21.09	14.00
Class II	18.89	11.00
Class III	20.17	11.29
Class IV	20.76	10.22

Northeast Utilization, Class III Detailed

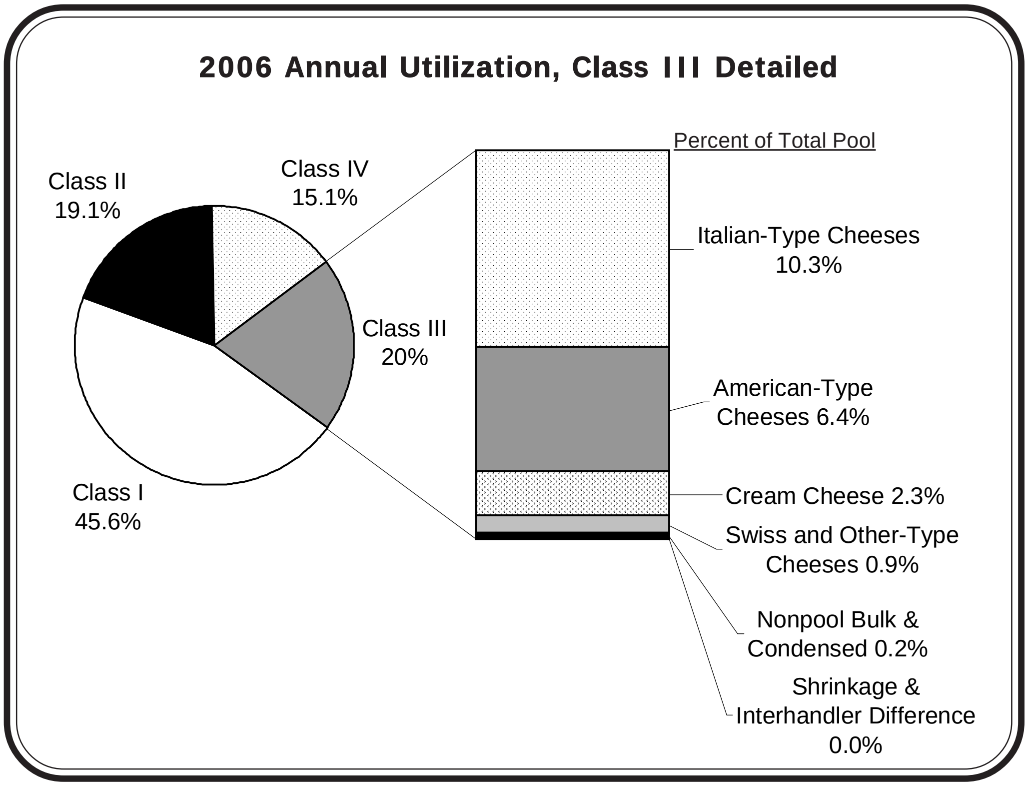
The Northeast Order pooled 20.2 percent of its milk as Class III in 2006. From 2000 through 2003, Class III utilization in the Northeast Order averaged 29.1, 31.3, 30.7, and 28.4 percent for the year. Since then, the Order has averaged less than 24 percent each year. To start this year, Class III utilization has averaged 22.9 percent for the first six months. The lower utilization reflects less regional Class III plant capacity. In addition, Class III receipts were lower in 2004 due to depooling that occurred in the spring of that year. Total pounds pooled as Class III ranged from 6.8 billion to 7.8 billion pounds a year from 2000 through 2003. Since then total Class III pounds pooled have ranged from 5.1 billion to 5.3 billion pounds.

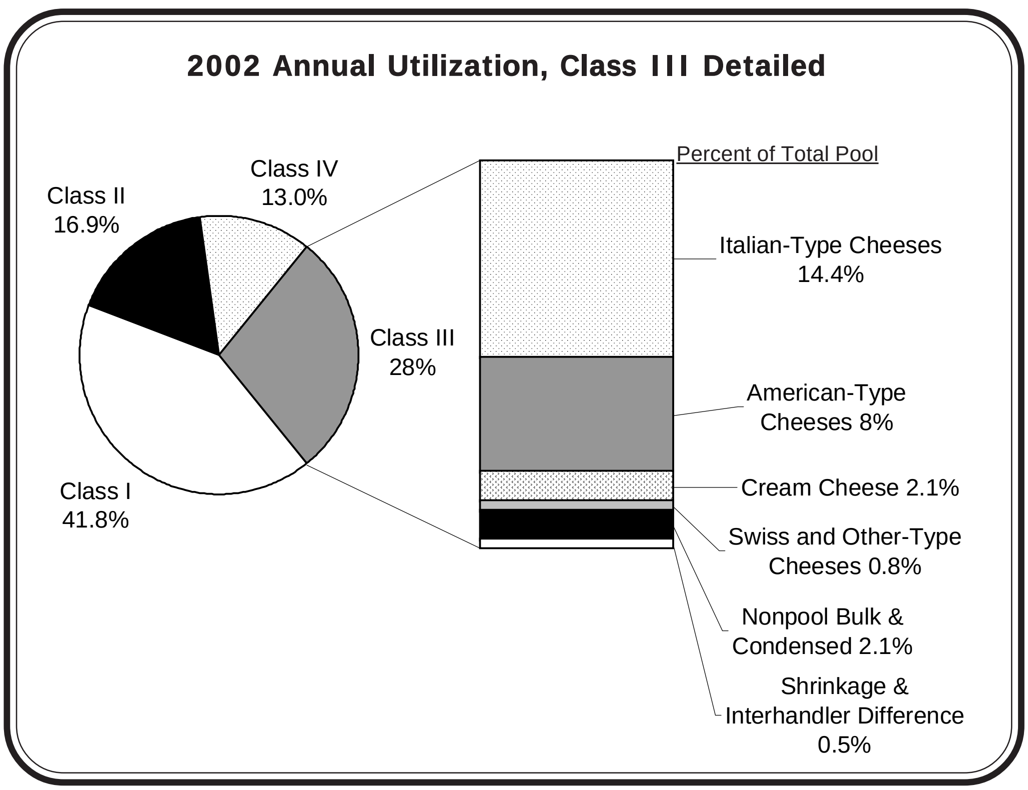
The accompanying charts show annual utilization for the Northeast Order in 2002 and 2006, and detail the make-up of Class III utilization by product. The 2006 volume of pooled receipts totaled 2.4 billion less pounds than in 2002; total Class III volume dropped by 2.7 billion pounds.

Italian-type cheeses comprised 51 percent of the total Class III volume pooled in both 2006 and 2002, but dropped from 14.4 percent of the total pool in 2002 to 10.3 percent of the total pool in 2006. American-type cheeses dropped from 8.3 percent of the total pool in 2002 to 6.4 percent in 2006. Although milk used for cream cheese declined slightly from 594 million pounds in 2002 to 592 million pounds in 2006, utilization for cream cheese increased 0.2 percentage points. Swiss and other-type cheeses increased as a portion of the total pool from 0.8 percent in 2002 to 0.9 percent in 2006.

Class III shrinkage was considerably higher in 2002 as the Class III price was the lowest class price during nine of the 12 months. During 2006, the Class IV price was the lowest priced class each month except in November when the Class III price was the lowest. As a result, Class III shrinkage was a relatively small volume throughout 2006.

Nonpool Bulk is a function of the allocation of milk during pool as dictated by the Northeast Order language. Nonpool bulk is milk from other markets, or non-order milk, that is allocated to manufacturing classes to the extent available in that particular class—first Class IV, then Class III, and then Class II.❖





Mandatory Reporting Program

On June 28, the USDA issued an interim final rule establishing a Dairy Product Mandatory Reporting Program. As stated in a USDA press release announcing the mandatory reporting program, it will provide timely, accurate, and reliable market information to facilitate more informed marketing decisions and promote competition in the dairy product manufacturing industry.

The program will: 1) Require persons engaged in manufacturing dairy products to report certain information including the price, quantity, and moisture content where applicable, of dairy products sold by the manufacturer; and 2) Require persons storing dairy products to report information on the quantity of dairy products stored. Under the interim final rule, USDA's National Agricultural Statistics Service (NASS) will collect the information.

USDA's Agricultural Marketing Service (AMS) will implement a plan to verify the price information submitted to NASS. AMS will visit butter, nonfat dry milk, cheese and dry whey manufacturers that file reports. AMS will verify that eligible sales transactions agree with information reported to NASS and will check for eligible sales transactions that were not reported.

The need for the program arose from the discovery of an error in industry reporting of nonfat dry milk data. The impact of this error is summarized in AMS' special report titled *Impacts of NASS Nonfat Dry Milk Price and Sales Volume Revisions on Federal Order Prices,* which can be found at the following link: http://www.ams.usda.gov/dyfmos/mib/NASS_Price_Issue_Publication_revised_2007-7-2.pdf

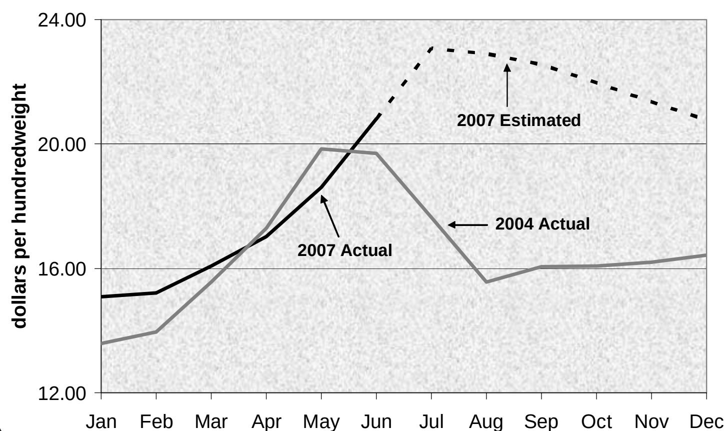
The interim final rule was published in the Federal Register on July 3; public comments are due on or before September 4, 2007. Comments may be filed by visiting: www.regulations.gov For additional information about the decision, contact John Mengel, Chief Economist, AMS, phone: (202) 720-7091, email: John.Mengel@usda.gov.❖

Prices *(continued from page 1)*

to date was in June 2004 at $24.38 per hundredweight and the highest Class III price was $20.58 in May 2004.

For July, the Class I price will be $24.16 per hundredweight. Based on commodity prices for the first 2 weeks of July, the other three class prices likely will be over $21.00 and set new records along with a record-breaking blend price. The Class II price should return to its more 'normal' position as the second-highest class price by August. Based on futures prices from July 16, Class III and IV prices are projected to decline somewhat beginning in August and continue downward through the end of 2007. However, blend prices could remain above $20.00 per hundredweight for the rest of the year. See accompanying chart.❖

Blend Prices at Boston, MA, 2007 vs. 2004



Pool Summary for All Federal Orders, January–June 2007

Federal Order Number	Federal Order Name	Total Producer Milk 2006 (pounds)	Total Producer Milk 2007 (pounds)	Change (percent)	Producer Price Differential# 2006 (dollars per hundredweight)	Producer Price Differential# 2007	Statistical Uniform Price#* 2006	Statistical Uniform Price#* 2007
1	Northeast	11,858,971,661	11,268,311,582	(5.0)	1.77	1.02	13.40	17.13
5	Appalachian	3,291,318,414	2,998,262,688	(8.9)	N/A	N/A	13.93	17.43
6	Florida	1,640,983,227	1,705,104,733	3.9	N/A	N/A	15.21	18.43
7	Southeast	4,359,051,470	4,059,309,257	(6.9)	N/A	N/A	13.73	17.43
30	Upper Midwest	13,160,672,001	12,420,308,118	(5.6)	0.38	0.06	12.01	16.17
32	Central	7,605,767,063	5,430,219,142	(28.6)	0.57	(0.08)	12.20	16.03
33	Mideast	9,037,873,321	8,574,347,919	(5.1)	0.83	0.05	12.46	16.62
124	Pacific Northwest	3,978,308,529	3,567,691,553	(10.3)	0.35	(0.02)	11.98	16.10
126	Southwest	5,810,140,481	4,792,201,919	(17.5)	1.41	0.82	13.04	16.93
131	Arizona~	1,743,883,205	1,977,205,798	13.4	N/A	N/A	12.33	16.38
All Market Total/Average		62,486,969,372	56,792,962,709	(9.1)	0.89	0.31	13.02	16.86

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.
~ Formerly Arizona-Las Vegas Order; name changed effective May 1, 2006.

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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	815,999,547	$16.13	131,620,726.93	
	Butterfat	16,225,692	1.5791	25,621,990.24	
Less:	Location Adjustment to Handlers			(2,663,606.91)	$154,579,110.27
Class II—	Butterfat	28,118,198	1.6527	46,470,945.83	
	Nonfat Solids	34,080,157	1.5089	51,423,548.90	97,894,494.73
Class III–	Butterfat	15,184,308	1.6457	24,988,815.67	
	Protein	12,203,678	3.7059	45,225,610.30	
	Other Solids	23,268,523	0.5831	13,567,875.75	83,782,301.72
Class IV–	Butterfat	6,949,433	1.6457	11,436,681.90	
	Nonfat Solids	18,435,372	1.7268	31,834,200.36	43,270,882.26
Total Classified Value					**$379,526,788.98**
Add:	Overage—All Classes				97,535.45
	Inventory Reclassification—All Classes				247,774.10
	Other Source Receipts	344,169	Pounds		3,678.17
Total Pool Value					**$379,875,776.70**
Less:	Producer Component Valuations @ Class III Component Prices				(377,143,040.05)
Total PPD Value Before Adjustments					**$2,732,736.65**
Add:	Location Adjustment to Producers				8,847,491.83
	One-half Unobligated Balance—Producer Settlement Fund				919,293.91
Less:	Producer Settlement Fund—Reserve				(797,628.92)
Total Pool Milk & PPD Value		1,857,443,416	Producer pounds		**$11,701,893.47**
	Producer Price Differential		**$0.63**		
	Statistical Uniform Price		**$20.80**		

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