



The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

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December Pool Price Calculation

The December 2007 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$21.59 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 \$22.76 per hundredweight. December's statistical uniform price was 72 cents per hundredweight below November's price. The December producer price differential (PPD) at Suffolk County was \$0.99 per hundredweight, \$2.10 below last month's.

During December, all commodity prices rose, except nonfat dry milk. As a result, prices for all components rose, except nonfat solids. Prices for Class I, II, and IV declined due to the advance release of Class I and the Class II nonfat solids price and the decline in the nonfat dry milk price. This created a tightening of the spread between the classes and a much lower PPD than seen in recent months.

The December average producer protein test at 3.14 percent was only .01 percentage points below last month's highest test ever and set a record for the month of December. The December butterfat test tied with December 2005 as the highest ever. The other solids test at 5.72 percent was the highest for December. Since producers are paid based on butterfat, protein, and other solids, the increase in component prices, along with record-setting tests for the month, combined for the highest producer component payout since the Order's inception. ❖

2007 Northeast Order Statistics Summarized

During 2007, the volume of milk received from producers shipping to handlers regulated under the Northeast Order totaled 23.0 billion pounds, an increase of 1.6 percent from 2006, but the third smallest volume since the Order's inception. The average number of producers declined 2.9 percent, while average daily deliveries per producer (DDP) increased 4.5 percent. The table on page 3 compares selected pool statistics for 2006 and 2007.

Class Utilization Changes

Total producer milk receipts began to rebound in July in response to record-setting prices following the prior 2 years contracted milk production. Overall, the total amount of milk pooled on the Northeast Order finished 360.2 million pounds higher than during 2006.

(continued on page 3)

Pool Summary

- A total of 13,799 producers were pooled under the Order with an average daily delivery per producer of 4,665 pounds.
- Pooled milk receipts totaled 1.996 billion pounds, a decrease of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 45.4 percent of total milk receipts, a decrease of 1.3 percentage points from November.
- The average butterfat test of producer receipts was 3.84 percent.
- The average true protein test of producer receipts was 3.14 percent.
- The average other solids test of producer receipts was 5.72 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	45.4	905,649,100
Class II	17.4	346,154,761
Class III	23.9	477,700,364
Class IV	13.3	266,070,051
Total Pooled Milk		1,995,574,276

Producer Component Prices

	2007	2006
	\$/lb	
Protein Price	4.7061	2.4388
Butterfat Price	1.4348	1.3481
Other Solids Price	0.2637	0.2564

Class Price Factors

	2007	2006
	\$/cwt	
Class I	23.29	15.68
Class II	20.82	12.55
Class III	20.60	13.47
Class IV	19.18	12.30

Contribution to Blend Price by Components

The accompanying chart shows the contribution to the 2007 Northeast Order statistical uniform price (SUP), or blend, by the various components—butterfat, protein, other solids, plus the producer price differential (PPD). Blend prices and PPDs are reported on a per hundredweight (cwt) basis at Boston standardized to 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids.

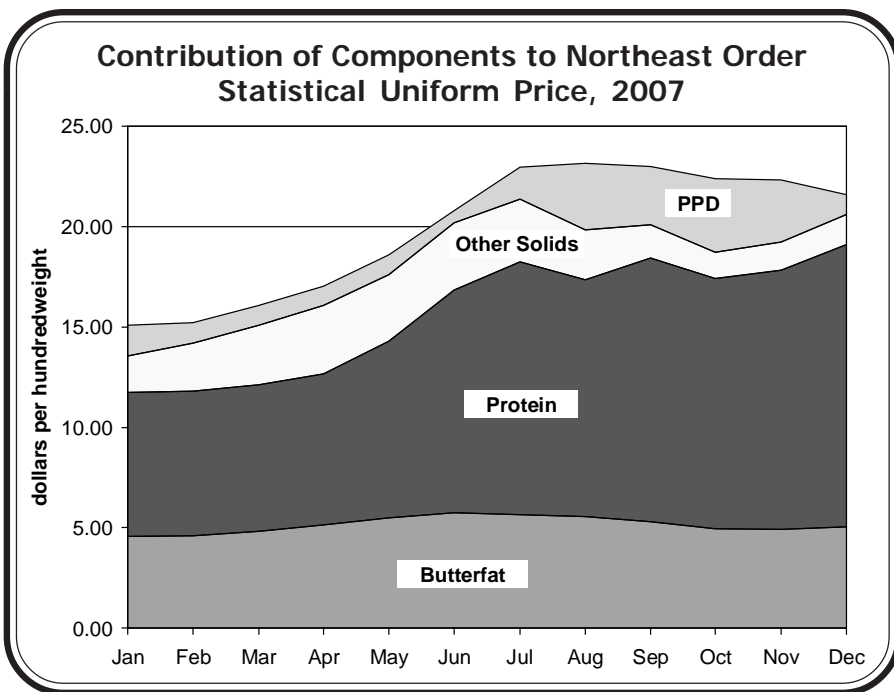
How Producers Are Paid

Producers are paid based on their respective volumes of components (butterfat, protein, and other solids) in their milk plus the PPD. They receive the same per pound price for these components as the Class III per pound value for butterfat, protein, and other solids. Since the pool is made up of four classes of milk, it is the extra value in the pool generated by Classes I, II, and IV that is returned to producers via the PPD.

In months when there is a large spread between the Class III price and the other class prices, the PPD will return a larger value (i.e. October). As this spread in prices tightens, the PPD value shrinks (i.e. June).

Proportion Varies Throughout the Year

In addition to the proportion of the PPD varying, the share that each component contributes to the total producer price varies during the year. As the chart depicts, protein's value was the lowest during January and as such, the proportion it contributed to the overall producer price was lower (47.7 percent) than shown in later months, especially December when it hit \$4.7061 per pound (65.2 percent of the total price). For the year, it averaged 53.0 percent of the total price, up from 46.2 percent in 2006. Butterfat's contribution remained relatively stable throughout 2007, accounting for about 25.9 percent of the total producer price, although down from 34.3 percent the



previous year. Its share peaked in June when the butterfat price hit \$1.6457 per pound.

The other solids component, which is based entirely on the dry whey price and in past years had a relatively minor contribution to the overall price, accounted for 16.7 percent of the total price during the first half of 2007, peaking in April, when its price was \$0.6008 per pound. As the whey price declined in the beginning of summer, the other solids price began dropping, and its proportion declined, ending the year with an average 12.0 percent share of the total producer price. This is up from 7.3 percent of the price in 2006. The PPD share averaged 9.2 percent in 2007, down from 12.2 percent the previous year.

It is important to note that the proportions are affected by both the price of the component and its respective test value during the month. ❖

Cooperative Membership Status

There were 53 milk cooperatives that pooled milk on the Northeast Order during September 2007. This is down from 79 cooperatives that pooled on the order during September 2002. The difference is due entirely to dissolutions of cooperatives that existed in 2002, as opposed to cooperatives that may have pooled on the Northeast Order in 2002, but pooled their milk elsewhere in 2007.

The Northeast Order pooled 13,738 producers in September 2007, down 2,559 producers from 2002, or a decline of 15.7 percent. With the decline in pooled producers, 17.6 million less pounds of milk were pooled in 2007 than in 2002.

Member Proportion Declines Slightly

Based on verified payroll data, during September 2007, cooperative members accounted for 74.4 percent of

the producers and 77.2 percent of the milk pooled on the Northeast Order. During September 2002, member producers accounted for 74.7 percent of the producers and 75.6 percent of the milk pooled.

Of the total decline in producers, 1,959 were members of a cooperative, a decline of 16.1 percent in cooperative membership, a slightly larger rate of decline than the decline in total producers pooled. Nonmembers declined by 600 producers, a 14.6 percent decline, slightly lower than the decline in total producers pooled. The data imply that as producers exit the market or pool elsewhere, they do so at about the same rate for the Northeast as a whole, whether or not they belong to a cooperative, though slightly more so for cooperative members. However, (continued on page 3)

2007 Statistics Summarized *(continued from page 1)*

Class I utilization averaged 45.5 percent in 2007, a decrease of 1.0 percentage point from the previous year. The total volume of milk used in Class I decreased slightly (0.5 percent). Class II usage increased 5.6 percent largely due to an increase in yogurt, resulting in an increase in utilization of 0.8 percentage points. Class III volume was up 11.1 percent, due to growth in Swiss, Italian, and cream cheese; this resulted in an increase in utilization of 2.1 percentage points. The amount of milk used in Class IV declined 15.6 percent in 2007; utilization dropped 1.9 percentage points. The decline was due mainly to less dried milk products, but also less condensed products and butter.

Prices Lower

National milk production was weak during the first half of 2007, but then began to rebound in July. States in the Northeast trailed behind the nation, but gained momentum in the fall. As the supply grew, prices still held throughout the second half of the year. All class prices averaged significantly higher than during 2005 with double-digit increases in the 41 to 66 percent range (see table).

The Class I price averaged \$21.39 per hundredweight in 2007, \$6.26 above the 2006 annual average. The highest Class I price during 2007 was a record-setting \$25.16 in September. The Class II price averaged \$6.60 greater than the previous year and the Class III price rose \$6.15 from 2006. The Class IV had the largest annual average increase with a jump of \$7.30 per hundredweight. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged \$19.85 per hundredweight, \$6.32 (46.7 percent) higher than the 2006 price.

Component Prices

The price paid to producers for butterfat averaged \$1.4693 per pound, 10.9 percent greater than in 2006. The per-pound annual average protein price rose 67.9 percent. The other solids price jumped 140.6 percent from an average of \$0.1746 to \$0.4201 per pound. The average nonfat solids price increased 105.6 percent from \$0.7400 to \$1.5218 per pound. Even though producers are not paid directly on nonfat solids in their milk, the value it contributes to the overall pool value is returned in the PPD.

Component Tests

The annual average producer butterfat test declined slightly from 3.71 percent in 2006 to 3.70 percent in 2007.

Cooperative *(continued from page 2)*

counts may reflect some movement by nonmember producers joining cooperatives or vice-versa.

Milk pooled by nonmember producers was 33.9 million pounds less in September 2007 than in September 2002, a decline of 7.2 percent. Milk pooled by cooperative members increased by 16.3 million pounds, or 1.1 percent.

Trends by State

The percent decline in nonmember producers was larger than the percent decline in cooperative member

Northeast Order Pool Statistics, Annual Totals and Averages, 2006–2007

Pool Statistics	2006	2007	2006–07
	million pounds		percent
Class I	10,544.5	10,495.8	(0.5)
Class II	4,476.5	4,725.0	5.6
Class III	5,074.7	5,638.9	11.1
Class IV	2,584.0	2,180.2	(15.6)
Total	22,679.7	23,039.9	1.6
	pounds		
DDP	4,349	4,547	4.6
	utilization percentage		change
Class I	46.5	45.5	(1.0)
Class II	19.7	20.5	0.8
Class III	22.4	24.5	2.1
Class IV	11.4	9.5	(1.9)
	dollars per hundredweight		percent
Class I	15.13	21.39	41.4
Class II	11.76	18.36	56.1
Class III	11.89	18.04	51.7
Class IV	11.06	18.36	66.0
SUP	13.53	19.85	46.7

For seven of the months in 2007, the test was below the previous year, but in April and December it tied the record high for the respective month. The protein test averaged .02 percentage points higher than in 2006. It set new monthly records during eight months of the year and a new record high in November with 3.15 percent. Other solids tests were above the previous year during seven of the months and averaged .01 percentage points higher for the year. Monthly records were set during four of the months, while three tied the monthly record.

Producer Changes

The year ended with 294 less producers than at the end of 2006, less of a decline than last year (564). Annual average daily deliveries per producer (DDP) equaled 4,547 pounds, up 4.6 percent from 2006. ❖

producers in Maryland, New Jersey, New York, and Pennsylvania.

In New York, milk production from cooperative members was 7.8 percent higher during September 2007 than in 2002, but was down 2.5 percent for nonmembers. Milk production by cooperative members in Vermont was down 1.3 percent in September 2007 compared to 2002, while nonmember production was down 34.2 percent. ❖



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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	887,413,751	\$18.90	167,721,198.94	
Butterfat	18,235,349	1.4445	26,340,961.63	
Less: Location Adjustment to Handlers			(2,929,177.05)	\$191,132,983.53
Class II— Butterfat	27,244,226	1.4418	39,280,724.99	
Nonfat Solids	29,341,484	1.8167	53,304,674.03	92,585,399.02
Class III— Butterfat	18,512,778	1.4348	26,562,133.87	
Protein	14,984,336	4.7061	70,517,783.65	
Other Solids	27,277,055	0.2637	7,192,959.37	104,272,876.89
Class IV— Butterfat	12,562,089	1.4348	18,024,085.30	
Nonfat Solids	23,389,815	1.6296	38,116,042.54	56,140,127.84
Total Classified Value				\$444,131,387.28
Add: Overage—All Classes				150,978.17
Inventory Reclassification—All Classes				42,190.32
Other Source Receipts	274,895 Pounds			7,124.70
Total Pool Value				\$444,331,680.47
Less: Producer Component Valuations @ Class III Component Prices				(434,442,776.35)
Total PPD Value Before Adjustments				\$9,888,904.12
Add: Location Adjustment to Producers				9,751,471.57
One-half Unobligated Balance—Producer Settlement Fund				1,037,748.61
Less: Producer Settlement Fund—Reserve				(919,217.48)
Total Pool Milk & PPD Value	1,995,849,171 Producer pounds			\$19,758,906.82
Producer Price Differential		\$0.99		
Statistical Uniform Price		\$21.59		

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