

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

February 2008

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

February Pool Price Calculation

The February 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$19.54 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 \$20.26 per hundredweight. February's statistical uniform price was \$1.57 per hundredweight below January's price. The February producer price differential (PPD) at Suffolk County was \$2.51 per hundredweight, 72 cents above last month's.

During February, all commodity prices declined resulting in lower component and class prices. The Class III prices dropped the most (\$2.29 per cwt), which widened of the spread between the classes and resulted in a higher PPD than last month.

Producer milk receipts for February were the third highest since the Order's inception in 2000. This was the combined result of the extra day in February (leap year) and recent production increases. The February average producer other solids test at 5.78 percent tied with June 2000 for the highest on record under the Order. ❖

Decision Issued to Amend the Appalachian, Florida and Southeast Milk Orders

On February 25, the U. S. Department of Agriculture (USDA) issued a tentative final decision that would increase Class I prices and adjust the Class I pricing surface of the Appalachian, Southeast, and Florida marketing orders. This decision is based on testimony and evidence given at a public hearing held in Tampa, Florida, on May 21-23, 2007.

This decision also amends certain features of the touch-base, diversion limit standards and transportation credit provisions for the Appalachian and Southeast federal milk marketing orders. USDA will conduct referendums to determine if producers approve the amended orders. If approved, USDA will issue an interim order making the amendments effective.

Comments on the tentative final decision must be submitted to USDA on or before April 29. Copies of the decision along with additional information can be found at http://www.ams.usda.gov/dairy/ap_se_fl/ap_se_fl_hear.htm or by contacting Gino M. Tosi, USDA/AMS/Dairy Program, Order Formulation and Enforcement Branch (202)690-1366. ❖

Pool Summary

- A total of 13,714 producers were pooled under the Order with an average daily delivery per producer of 4,971 pounds.
- Pooled milk receipts totaled 1.977 billion pounds, an increase of 3.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 42.5 percent of total milk receipts, a decrease of 1.6 percentage points from January.
- The average butterfat test of producer receipts was 3.77 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.78 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	42.5	840,994,748
Class II	17.3	341,077,177
Class III	24.4	483,198,147
Class IV	15.8	311,816,678
Total Pooled Milk		1,977,086,750

Producer Component Prices

	2008	2007
	\$/lb	
Protein Price	4.0180	2.4125
Butterfat Price	1.3010	1.3112
Other Solids Price	0.0803	0.4170

Class Price Factors

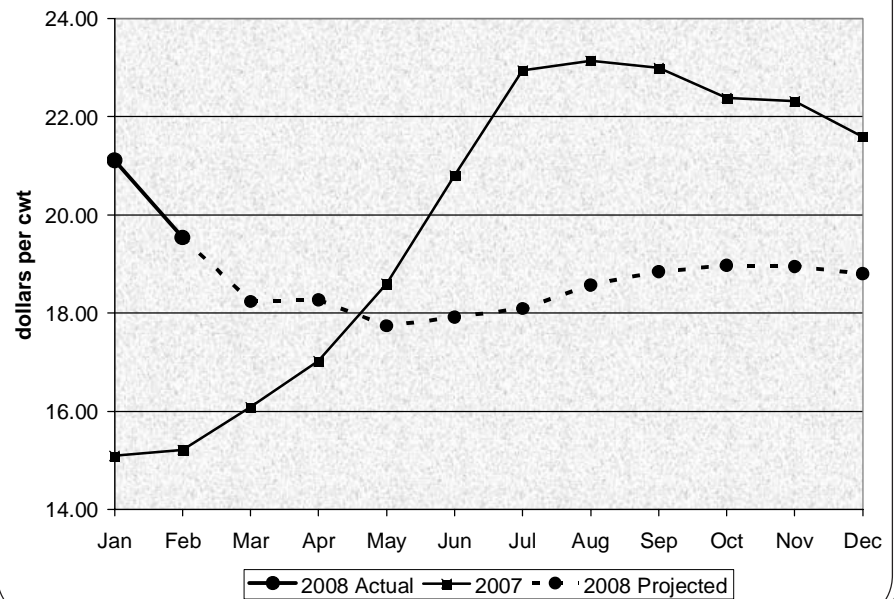
	2008	2007
	\$/cwt	
Class I	22.93	16.64
Class II	18.46	13.08
Class III	17.03	14.18
Class IV	14.67	12.71

2008 Statistical Uniform Price Moderates

The Northeast Uniform price has moderated from the record high levels that occurred during the second half of 2007 although prices are still at historically high levels. The February uniform price of \$19.54 per hundredweight (highest ever for the month of February) was down \$3.60 from the all time high of \$23.14 in August 2007. Based on Chicago Mercantile Exchange futures prices as of March 12, the Northeast uniform price is expected to continue to decline through May to a price of about \$17.74 per hundredweight. The price is then projected to steadily climb to the mid to upper \$18 range for much of the second half of the year. For the year, the uniform price is predicted to average \$18.75 per hundredweight, \$1.10 below the 2007 average.

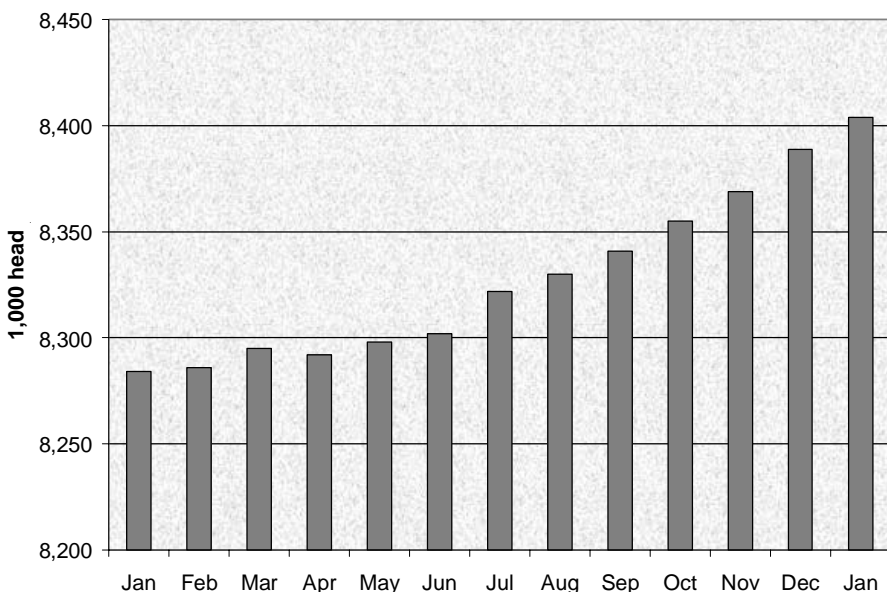
During the Northeast Regional Dairy Outlook Conference held in November, participants projected slightly higher prices during the early portion of 2008. However, milk production has been stronger than what was predicted at that time. The Northeast Order pooled 30 million and 62 million more pounds in January and February, respectively, than were originally forecast back in November 2007. Though the milk-feed price ratio was 2.66 in January and 2.36 in February, the national dairy herd and milk per cow have continued to grow. The number of milk cows in the top 23 states in January was up 1.4 percent from a year ago, and milk per cow was up 1 percent.

Actual and Projected Uniform Price, 2007–2008



The increased production has led to increased stocks of nonfat dry milk (NFDM) with end of year 2007 stocks 84.1 percent higher than a year ago. Additionally, exports have slowed somewhat. The nonfat dry milk price contributed a large portion to recent historic high prices, but has since declined substantially. The NASS nonfat dry milk price peaked in October 2007 at \$2.0615 per pound but has dropped to \$1.3331 per pound in February 2008. Exports are expected to increase later in the year and should improve the NFDM price.

Milk Cows in Top 23 States, January 2007–January 2008



Source: NASS Milk Production.

Similarly, the NASS dry whey price has dropped considerably from highs over 70 cents per pound in mid 2007 to 27 cents per pound in February 2008. Like NFDM, weaker exports, increased production, and increasing stocks are some of the factors of the decline.

Still, high feed costs and relatively lower milk prices could impact growth in production as the year progresses. Continuing constraints on traditional dairy exporters will likely still leave the U.S. as an important industry supplier, and thus, the industry should still benefit from the export market. A slower U.S. economy in 2008 also could lead to decreased domestic sales and in turn put additional downward pressure on the milk price. Restaurant operators have reported lower same-store sales for the past 3 months and lower customer traffic levels for the past 5 months. The restaurant industry plays an important role in the demand for cheese and butter. ❖

Number of Producers by Size of Marketings

In December 2007, 13,672 producers marketed roughly 2 billion pounds of milk on the Northeast Order. Five years ago, in December 2002, 16,334 producers marketed 2.09 billion pounds. How has a market with 2,662 less producers, a roughly 16 percent decline, experienced a decline in milk pooled of just 4.5 percent? The answer lies in the continuing dynamic which has seen the exit from the market of smaller farms being compensated by the growth in the number of larger farms. At the same time, the average milk per cow for New York, Pennsylvania, and Vermont (the three largest contributing states in the Northeast Order) increased by 7.8 percent. In addition, handler pooling decisions can impact volume changes and producer counts.

Table 1 groups producers into 4 size ranges. The smaller 2 size ranges lost 2,741 producers from 2002 to 2007 which, combined, accounted for a decline of about 238 million pounds of milk from this group. The larger 2 size categories gained 79 producers and, combined, accounted for a gain of about 145 million pounds of milk between the 2 periods. To put it another way, the extra 79 producers in the top two size categories made up about 61 percent of the decline resulting from the loss of 2,741 producers from the 2 smaller categories.

During December 2007, 4.4 percent of the farms marketed 33.8 percent of the milk on the Northeast Order. The number of farms marketing over 1.5 million pounds a month grew from 73 in 2002 to 115 in 2007 (see Table 2). Marketings of over 1.5 million pounds a month roughly equates to over a tanker load per day. Of the 115 in that

Table 1: Number of Farms by Pooled Pounds, December 2007

Pounds Pooled	Farms	Percent of		Pounds of		Avg Lbs. per Farm	Estimated Average Herd Size*
		Farms	Farms	Milk	Pounds		
< 100,000 lbs	8,355	61.1	456,687,093	22.9	54,660	35	
100,000 to 499,999 lbs.	4,713	34.5	864,706,638	43.3	183,473	119	
500,000 to 999,999 lbs.	360	2.6	249,763,172	12.5	693,787	451	
> 1 million lbs.	244	1.8	424,500,955	21.3	1,739,758	1,130	
Northeast Order Total	13,672	100.0	1,995,657,858	100.0	145,967	95	

*Based on USDA Average milk per cow for NY, PA, and VT in December 2007.

Table 2: Farms Marketing More Than 1.5 Million Pounds per Month, by State, December 2007

State	Farms	Total Pounds	Estimated Avg. Herd Size*
Connecticut	3	4,702,046	1,018
Maine/New Hampshire	3	7,274,160	1,538
New York	83	203,124,321	1,589
Pennsylvania	9	19,805,710	1,429
Vermont	17	33,724,986	1,288
Total	115	268,631,223	1,517

*Based on USDA Average milk per cow for NY, PA, and VT in December 2007.

category in 2007, 83 producers were from New York, 17 were from Vermont and 9 from Pennsylvania.

An estimate for the average herd size for each size range was created by using the average milk per cow for New York, Pennsylvania, and Vermont as reported by NASS for December 2007.❖

Pool Summary for All Federal Orders, January–December, 2006–2007

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2006	2007	Change	2006	2007	2006	2007
		pounds			percent	dollars per hundredweight		
1	Northeast	22,679,707,001	23,039,863,949	1.6	1.64	1.81	13.53	19.85
5	Appalachian	6,242,970,524	5,865,023,397	(6.1)	N/A	N/A	13.99	20.49
6	Florida	3,126,397,566	3,206,499,471	2.6	N/A	N/A	15.23	21.52
7	Southeast	8,055,165,403	7,520,626,938	(6.6)	N/A	N/A	13.90	20.40
30	Upper Midwest	26,854,748,528	26,489,881,523	(1.4)	0.29	0.30	12.18	18.34
32	Central	13,916,728,007	11,192,644,576	(19.6)	0.42	0.60	12.31	18.64
33	Mideast	17,189,205,040	16,267,739,204	(5.4)	0.64	0.79	12.53	19.06
124	Pacific Northwest	7,570,456,808	7,036,007,813	(7.1)	0.19	0.63	12.07	18.67
126	Southwest	11,599,517,446	9,990,320,756	(13.9)	1.27	1.43	13.16	19.47
131	Arizona~	3,383,448,766	3,798,868,820	12.3	N/A	N/A	12.60	19.05
All Market Total/Average		120,618,345,089	114,407,476,447	(5.1)	0.74	0.93	13.15	19.55

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.



MARKET ADMINISTRATOR
 302A Washington Avenue Ext.
 Albany, NY 12203-7303

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	825,072,106	\$18.69	154,205,976.61	
Butterfat	15,922,642	1.3985	22,267,814.84	
Less: Location Adjustment to Handlers			(2,692,217.27)	\$173,781,574.24
Class II— Butterfat	27,292,178	1.3080	35,698,168.79	
Nonfat Solids	28,860,034	1.5989	46,144,308.40	81,842,477.19
Class III— Butterfat	18,936,351	1.3010	24,636,192.68	
Protein	14,893,740	4.0180	59,843,047.33	
Other Solids	27,604,077	0.0803	2,216,607.40	86,695,847.41
Class IV— Butterfat	12,432,429	1.3010	16,174,590.18	
Nonfat Solids	27,464,958	1.1643	31,977,450.62	48,152,040.80
Total Classified Value				\$390,471,939.64
Add: Overage—All Classes				73,027.89
Inventory Reclassification—All Classes				174,292.43
Other Source Receipts	296,589 Pounds			16,779.13
Total Pool Value				\$390,736,039.09
Less: Producer Component Valuations @ Class III Component Prices				(350,910,457.31)
Total PPD Value Before Adjustments				\$39,825,581.78
Add: Location Adjustment to Producers				9,755,434.43
One-half Unobligated Balance—Producer Settlement Fund				854,783.53
Less: Producer Settlement Fund—Reserve				(803,477.88)
Total Pool Milk & PPD Value	1,977,383,339 Producer pounds			\$49,632,321.86
Producer Price Differential		\$2.51		
Statistical Uniform Price		\$19.54		

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