The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 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

March Pool Price Calculation

The March 2008 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.89 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 $18.64 per hundredweight. March's statistical uniform price was $1.65 per hundredweight below February's price. The March producer price differential (PPD) at Suffolk County was -$0.11 per hundredweight, $2.62 per hundredweight below last month's. For more information regarding negative PPDs, see article below.

The March average butterfat test at 3.78 percent was the highest on record under the Order for the month of March.❖

Negative PPD All Zones

The producer price differential (PPD) was negative for all zones in the Northeast Order in March for the first time since May 2004. This situation occurs when the combined value of producer milk components exceeds the total value of the Northeast Order pool (see circled items in the "Computation of Producer Price Differential and Statistical Uniform Price" on page 4). A negative PPD represents a producer's per-hundredweight share of the amount that producer milk components exceed the value of milk in the pool.

Due to the advance pricing of Class I milk, the March Class I price was based off of the National Agricultural Statistics Service (NASS) dairy product prices reported for the weeks ending February 9 and February 16. As such, the March Class I price did not reflect the large rebound that occurred in the commodity cheese market during March. The other class prices (II, III, and IV) reflect the current month (March) increases that were reported by NASS for the weeks ending March l, 8, 15, 22, and 29.

Result of Market Rebound

Since December, the NASS monthly average prices for cheese, butter, nonfat dry milk, and dry whey declined 2 consecutive months, or through February. The NASS monthly average weighted cheese price, used in the Class III price calculation, then increased rather substantially, from $1.8403 per pound in February to $1.9575

(continued on page 3)

Pool Summary

- A total of 13,792 producers were pooled under the Order with an average daily delivery per producer of 4,991 pounds.
- Pooled milk receipts totaled 2.134 billion pounds, an increase of 1.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.9 percent of total milk receipts, a decrease of 1.6 percentage points from February.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.9	872,834,590
Class II	18.7	398,233,109
Class III	23.8	508,227,512
Class IV	16.6	354,733,311
Total Pooled Milk		2,134,028,522

Producer Component Prices

	2008	2007
	$/lb	
Protein Price	4.3331	2.4329
Butterfat Price	1.3604	1.3769
Other Solids Price	0.0493	0.5257

Class Price Factors

	2008	2007
	$/cwt	
Class I	19.95	17.50
Class II	15.63	13.60
Class III	18.00	15.09
Class IV	14.17	13.71

Biennial Container Survey

The results from the November 2007 container sales survey for the Northeast Milk Marketing Area were recently released. The survey is conducted biennially and records packaged sales data for the month of November. Information is collected from handlers operating plants regulated under Federal Order No. 1 that sell fluid packaged milk products on routes within the defined Northeast marketing area.

Packaged sales totaled 919.4 million pounds (about 106.7 million gallons) in November 2007; sales include whole, reduced fat (2%), low fat (1%), fat free (skim), flavored whole and low fat milk products, buttermilk, and eggnog. Data are collected for three container types (glass, paper, and plastic) and eleven different container sizes. Besides the standard plastic container sizes: gallon, half gallon, quart, and commercial 6 and 5-gallon, data is collected for plastic single serve sizes: pint, half-pint, 14 ounce, 13.5 ounce, 12 ounce, and 10 ounce. Data for other sizes are collected but grouped together in total volume.

Container Type

Plastic containers continue as the leading sales package and accounted for 76.4 percent of all route sales in November 2007. Paper containers had 23.2 percent and glass only 0.3 percent. The small volume of glass containers are mainly used by a small number of handlers who have home delivery routes or sell their product in specialty markets.

Of the handlers surveyed, over 61 percent reported having product sold in plastic single serving size containers equaling a total volume of 30.9 million pounds. Sales in single serve containers accounted for 4.4 percent of the total volume sold in all plastic containers and about 3.4 percent of all reported route sales (up from 1.8 percent in 2005). The majority (40.8 percent of all single serve) were sold in pints, followed by half pints with 35.2 percent. This is a switch from 2005 when half pints reported 30.8 percent and pints had 28.4 percent. The remaining single serve sizes are shown in the accompanying table.

Container Size

Sales in gallon containers accounted for 53.1 percent of all sales (see chart 1), down 2.1 percentage points from the last survey in November 2005. Half-gallons equaled 27.2 percent (up from 25.7 percent in 2005). Quarts had 6.2 percent and half-pints 7.4 percent. The remainder was sold in single serve, mentioned above, and other sizes such as 5 and 6 gallon, pint, 4 ounce, and many other sizes not individually identified.

Other Size Single Serve Containers

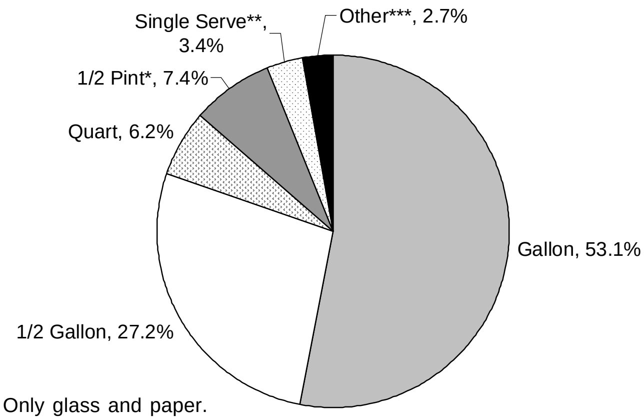
Container Size	Percent of Single Serve
14 oz	12.5
13.5 oz	1.6
12 oz	0.2
10 oz	6.9
other	2.7

All 5, 6, and 1 gallon containers were made of plastic. Of the glass containers, the sizes reported were half-gallon, quart, pint, and half-pint.

Product Type

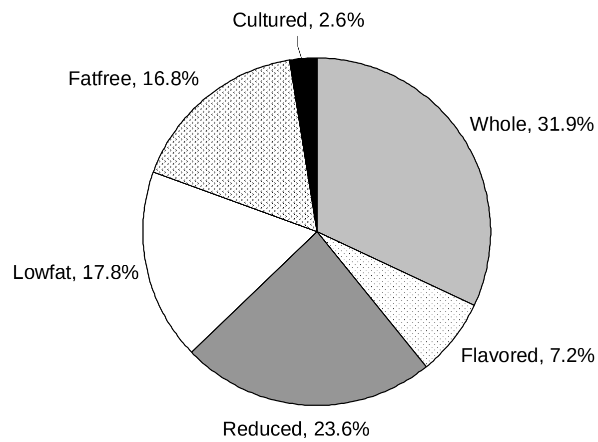
Whole milk sales accounted for 31.9 percent of the total sales in November 2007 (see chart 2); down from 35.7 percent in 2005. Reduced fat reported 23.6 percent; low fat equaled 17.8 percent; and fat free had 16.8 percent. These are up from 2005 when reduced fat reported 22.6 percent, lowfat has 16.8 percent, and fat free accounted for 15.8 percent. Flavored whole and low fat milk products combined for a total of 7.2 percent; buttermilk had 0.4 percent; and eggnog reported 2.2 percent. Flavored and eggnog showed increases from 2005; buttermilk was unchanged.

Chart 1



* Only glass and paper.
** Includes plastic pints, 1/2 pints, 14, 13.5, 12, and 10-oz containers.
*** Includes plastic 5 & 6 gallons, glass and paper pints, and other sizes not shown.

Chart 2



Method of Distribution

In the Order No. 1 marketing area, wholesale deliveries (from plant to retail outlet) accounted for 99.6 percent of total sales in the 2007 survey; home deliveries made up the remaining 0.4 percent. In 2005, wholesales accounted for 99.8 percent while home delivery equaled 0.2 percent. In 2007, of the wholesale total, 51.6 percent were to supermarkets; 15.9 percent to dairy and convenience stores; 6.7 percent to institutions such as schools and military; and 25.9 percent to other wholesales establishments such as superstores/ hypermarkets and wholesale clubs.❖

Market Service Tank Calibrations

The Market Service department bulk tank calibration trucks have begun to perform calibration checks of non-member producers' tanks. See the following schedule:

Calibration Truck Schedule, 2008

Month	Area
April	Southern PA
May	Eastern NY/Northern NJ Central PA
June	Western NY/Northern NY
July	Central NY/Northern PA
August	Central NY/Central PA
September	VT/NH/ME/Southern PA
October	Western NY/Northern PA
November	Eastern NY/Southern PA

Annual *Bulletin* Available

The 2007 Annual Statistical *Bulletin* for the Northeast Milk Marketing Area is now available. The report summarizes pool and price data through a series of tables and charts. It can be found on our website at www.fmmone.com. Copies may be requested free of charge by contacting the Albany office at (518)452-4410 or E-mail: MAAlbany@fedmilk1.com.❖

Negative PPD *(continued from page 1)*

per pound in March. The NASS monthly average butter price also increased from $1.2301 per pound in February to $1.2512 in March. During the same time, NASS monthly prices for nonfat dry milk and dry whey continued to decline. However, the Class I price used to calculate the March uniform price, was set by commodity prices during 2 weeks in February when the cheese and butter markets were still in decline.

The result, based on the timing of the markets that set federal order prices as well as which commodities are used to determine the respective class price, is a decline of almost $3.00 per hundredweight in both the March Class I and Class II prices, a 50 cent decrease in the Class IV price, but an almost $1.00 per hundredweight increase in the Class III price. The March Class I price of $19.95 per hundredweight is just $1.95 per hundredweight higher than the Class III price of $18.00 per hundredweight. For the past 7 months, the Class I price averaged $5.05 dollars per hundredweight higher than Class III.

Because of the relative tightness between the Class I and Class II price and the relatively lower Class II and Class IV price, a uniform price is calculated that is below the Class III price, resulting in the negative PPD.

Going Forward

Looking forward to April, when all class prices reflect the higher commodity values together with the already announced Class I price of $21.86 per hundredweight, the PPD projects to be in the $1.20 to $1.40 per hundredweight range with a blend price nearly $1.00 higher in the $18.25 to $18.75 per hundredweight range.❖

Pool Summary for All Federal Orders, January–March 2008

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2007	2008	Change~	2007	2008	2007	2008
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**5,521,015,284**	**6,161,580,579**	**10.4**	**1.18**	**1.40**	**15.46**	**19.51**
5	Appalachian	1,572,171,870	1,483,657,020	(6.7)	N/A	N/A	15.88	20.85
6	Florida	866,816,846	831,866,266	(5.1)	N/A	N/A	17.02	22.11
7	Southeast	2,097,946,743	1,862,628,150	(12.2)	N/A	N/A	15.90	20.72
30	Upper Midwest	6,624,859,131	7,051,626,053	5.3	0.10	0.24	14.37	18.36
32	Central	2,817,320,299	3,033,233,632	6.5	0.03	0.11	14.31	18.22
33	Mideast	4,181,440,256	4,133,194,371	(2.2)	0.18	0.59	15.37	18.70
124	Pacific Northwest	1,822,845,205	1,698,038,413	(7.9)	(0.18)	(0.52)	14.09	17.60
126	Southwest	2,873,327,859	2,264,512,520	(22.1)	0.93	0.98	15.21	19.10
131	Arizona	966,261,121	1,058,976,953	8.4	N/A	N/A	14.49	18.19
	All Market Total/Average	29,344,004,614	29,579,313,957	(0.3)	0.37	0.47	15.21	19.34

\# Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.
~ Adjusted for leap year.

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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	856,377,899	$15.79	135,222,070.25	
	Butterfat	16,456,691	1.3463	22,155,643.09	
Less:	Location Adjustment to Handlers			(2,797,294.93)	$154,580,418.41
Class II—	Butterfat	29,883,487	1.3674	40,862,680.15	
	Nonfat Solids	33,676,185	1.2489	42,058,187.46	82,920,867.61
Class III–	Butterfat	20,792,130	1.3604	28,285,613.65	
	Protein	15,626,289	4.3331	67,710,272.86	
	Other Solids	29,000,079	0.0493	1,429,703.91	97,425,590.42
Class IV–	Butterfat	13,530,926	1.3604	18,407,471.72	
	Nonfat Solids	31,243,905	1.0833	33,846,522.28	52,253,994.00
Total Classified Value				***Total value of milk in the pool*** →	**$387,180,870.44**
Add:	Overage—All Classes				91,479.20
	Inventory Reclassification—All Classes				85,629.08
	Other Source Receipts	116,804	Pounds		2,183.44
Total Pool Value				***Total value of producer components*** →	**$387,360,162.16**
Less:	Producer Component Valuations @ Class III Component Prices				(400,068,914.96)
Total PPD Value Before Adjustments					**($12,708,752.80)**
Add:	Location Adjustment to Producers				10,501,270.15
	One-half Unobligated Balance—Producer Settlement Fund				830,828.99
Less:	Producer Settlement Fund—Reserve				(970,906.15)
Total Pool Milk & PPD Value		2,134,145,326	Producer pounds		**($2,347,559.81)**
	Producer Price Differential		**($0.11)**		
	Statistical Uniform Price		**$17.89**		

Negative value from which PPD per hundredweight is calculated

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