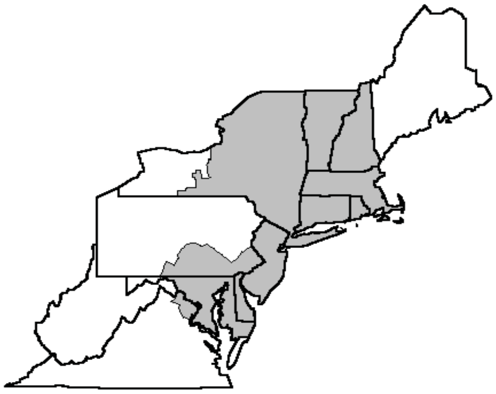


The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

June 2011 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

June Pool Price Calculation

The June 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $22.09 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 $22.34 per hundredweight. The June statistical uniform price was $1.30 per hundredweight above the May price. The June producer price differential (PPD) at Suffolk County was $2.98 per hundredweight, a decrease of $1.29 per hundredweight from last month.

During June, all commodity prices rose and were reflected in higher component prices. The NASS cheese price jumped nearly 25 cents per pound resulting in a $2.59 per hundredweight increase in the Class III price. Both the Class II and Class IV prices rose about 75 cents per hundredweight compared to May. The spread in prices between the classes tightened somewhat lowering the PPD.

The Class I volume for June was the smallest ever since the Order's inception and the first time that it totaled less than 800 million pounds. The Class II volume set a record high for the month of June. The average per day decline in total producer milk receipts between May and June was the largest ever except for 2008 when depooling occurred.❖

Proposed Amendments to Mideast Order

USDA announced an Action Plan on Proposed Amendments to the Mideast Milk Marketing Order on July 15, 2011. USDA received a proposal on June 17, 2011, to amend the pooling standards of a distributing plant as part of the definition of a pool plant in the Mideast Milk Marketing Order (Federal Order No. 33). The proponents assert that the current pool distributing plant pooling standards enables distributing plants to change their regulatory status and this has led to a disruption of orderly marketing conditions and should, therefore, be revised.

Based on the information submitted by proponents, USDA is considering initiation of a rulemaking proceeding that will include a public hearing to collect evidence.

(continued on page 3)

Pool Summary

- A total of 12,944 producers were pooled under the Order with an average daily delivery per producer of 5,140 pounds.
- Pooled milk receipts totaled 1.996 billion pounds, a decrease of 6.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 39.0 percent of total milk receipts, an increase of 1.2 percentage points from May.
- The average butterfat test of producer receipts was 3.60 percent.
- The average true protein test of producer receipts was 2.99 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	39.0	777,886,615
Class II	24.5	489,432,349
Class III	25.7	512,235,871
Class IV	10.8	216,458,270
Total Pooled Milk		1,996,013,105

Producer Component Prices

	2011	2010
	$/lb	
Protein Price	2.9807	2.2040
Butterfat Price	2.3702	1.7234
Other Solids Price	0.3339	0.1748

Class Price Factors

	2011	2010
	$/cwt	
Class I	23.57	18.53
Class II	21.37	16.01
Class III	19.11	13.62
Class IV	21.05	15.45

Total Utilization Increases; Classes II and III Show Growth

For the first 6 months of 2011, utilization of milk products and cream by pool plants increased 2.0 percent from the same period in 2010. When compared to the same period in 2006, milk receipts grew 5.0 percent. The accompanying table shows changes for selected products by class.

Class I usage decreased a slight 0.6 percent during the first six months compared to last year, but declined 1.8 percent from 5 years ago. Declines occurred in every category except organic milk products and buttermilk/eggnog.

Class II utilization jumped 11.4 percent from 2010 and 25.5 percent from 2006. Class II usage has set records each month, for the respective month, since January 2010. The main contributor to this increase is the growth in Greek-style yogurt, reflected in an enormous 216.5 percent increase in the yogurt (and eggnog) category when compared to 2010; the increase is 350 percent over 2006. Prepared products, which include bakery, candy, soups, and puddings, has shown healthy growth of 7.7 and 12.2 percent, respectively, from 2010 and 2006. Sour cream and aerated cream grew 9.4 percent since last year and 1.4 since 2006. The category that includes ice cream and frozen desserts dropped 28.2 and 11.1 percent from 2010 and 2006, respectively. Cottage cheese declined a slight 0.5 percent from 2010 and 19.9 percent from 2006. Ricotta cheese increase 3.4 percent over 2010, but declined 2.3 percent from 5 years ago.

Class III usage rose 10.1 percent from 2010 and 24.8 percent from 2006 with double-digit percent increases in American cheese. Swiss and other-type cheeses rose 8.2 percent from 2010 and 110.1 percent from 2006. The Swiss and other category includes Hispanic, Feta, and other ethnic cheeses, but not Italian. Cream cheese declined slightly from 2010, but rose 13.9 percent from 2006. Italian cheese grew 8.2 percent from 2010 and 10.2 percent from 2006.

Class IV utilization declined 12.8 percent from 2010 and 19.7 from 2006. Butter was up 2.8 percent from last year, but down 3.5 percent from 2006. Condensed products declined 9.3 percent from 2010 and 55.9 percent from 2006. Dried products dropped 13.4 and 20.2 percent from 2010 and 2006, respectively.❖

Northeast Utilization for Selected Products for January–June 2011 vs. 2010 and 2006

	Product	Volume Utilized* in million pounds	Percent Change from 2010	Percent Change from 2006
Class I	Whole	1,318.0	(2.6)	(18.9)
	Flavored	250.4	(7.0)	(16.1)
	Organic	186.6	23.1	90.0
	*Total Class I***	5,632.9	(0.6)	(1.8)
Class II	Prepared Foods	339.5	7.7	12.2
	Yogurt	772.5	216.5	350.0
	Ice Cream	713.6	(28.2)	(11.1)
	Total Class II	3,042.5	11.4	25.5
Class III	American	1,079.8	13.6	28.4
	Italian	1,495.7	8.2	10.2
	Swiss & Other	228.3	8.4	110.1
	Total Class III	3,261.6	10.1	24.8
Class IV	Condensed	67.5	(9.3)	(55.9)
	Butter	119.7	2.8	(3.5)
	Dried Products	1,269.6	(13.4)	(20.2)
	Total Class IV	2,019.6	(12.8)	(19.7)
Total Utilization		13,996.8	2.0	5.0

* Class totals include other categories not shown such as bulk shipments to nonorder plants, inventory, and shrinkage.
** Only includes sales by Fully Regulated Pool Handlers.

Pool Summary for All Federal Orders, January–June, 2010–2011

Federal Order Number	Federal Order Name	Total Producer Milk 2010 (pounds)	Total Producer Milk 2011 (pounds)	Change (percent)	Producer Price Differential# 2010	Producer Price Differential# 2011	Statistical Uniform Price#* 2010	Statistical Uniform Price#* 2011
					dollars per hundredweight			
1	**Northeast**	**12,227,694,702**	**12,539,489,621**	**2.5**	**2.40**	**2.82**	**15.98**	**19.88**
5	Appalachian	3,061,408,416	3,024,939,440	(1.2)	N/A	N/A	16.93	20.95
6	Florida	1,468,564,347	1,500,465,568	2.2	N/A	N/A	19.16	22.95
7	Southeast	3,612,843,313	3,693,812,966	2.2	N/A	N/A	17.04	20.80
30	Upper Midwest	17,249,957,949	16,469,916,168	(4.5)	0.40	0.46	13.98	17.52
32	Central	6,486,324,856	6,836,658,903	5.4	0.94	1.23	14.52	18.29
33	Mideast	8,335,703,465	7,697,872,957	(7.7)	1.35	1.64	14.93	18.70
124	Pacific Northwest	4,022,740,346	3,990,857,576	(0.8)	0.91	1.50	14.49	18.56
126	Southwest	5,653,287,792	5,663,948,548	0.2	2.01	2.32	15.59	19.39
131	Arizona	2,190,290,934	2,358,332,793	7.7	N/A	N/A	14.87	19.10
	All Market Total/Average	64,308,816,120	63,776,294,540	(0.8)	1.33	1.66	15.75	19.61

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.

Strong Prices Characterize Market Situation

With the June Uniform price of $22.09 per hundredweight (cwt), the average uniform price for the first half of 2011 topped all other years for the same period, averaging $19.88 per cwt. The uniform price averaged $19.14 during the first half of 2008, the second highest.

National Agricultural Statistics Service (NASS) dairy product prices remained strong through the second quarter of 2011, while the block Cheddar cheese price climbed to almost $2.00 a pound by mid-June and over $2.00 per pound since. Chicago Mercantile Exchange (CME) block Cheddar prices reached their third longest stretch ever above $2.00 as of July 14. Given that NASS prices tend to follow CME prices relatively closely, this would indicate that NASS cheese prices will continue to climb in the near future. Though not shown on the accompanying chart, the monthly average NASS dry whey price was over $0.52 per pound in June, the highest since August 2007.

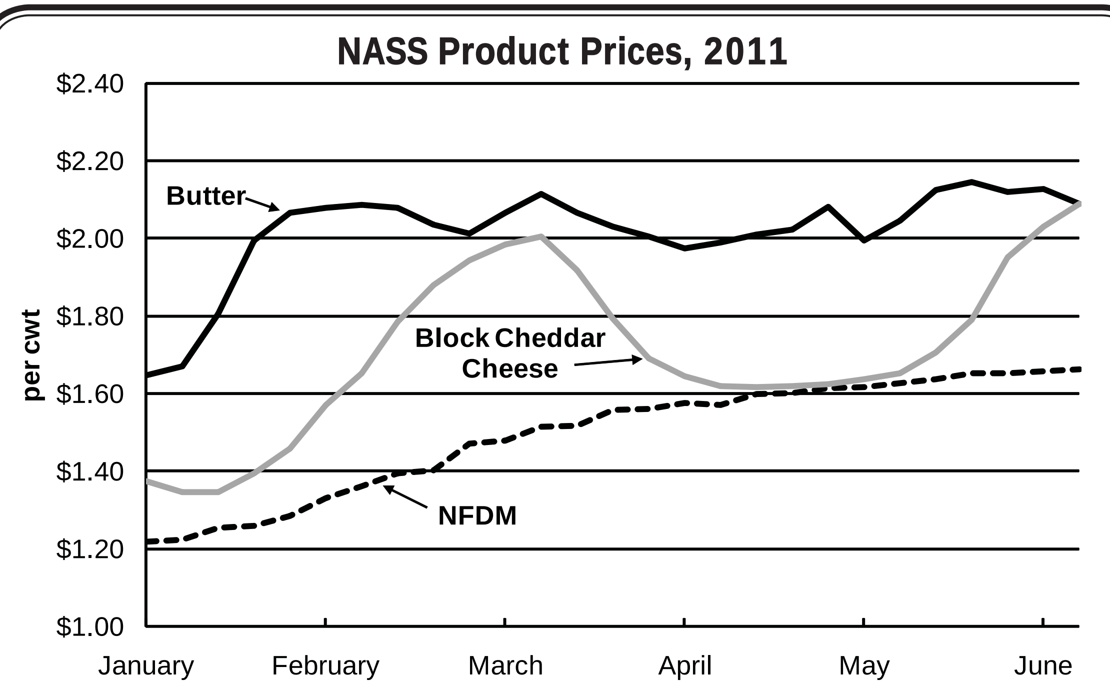
Exports Key Role

Factoring into strong prices across the board are dairy exports. For the period of January through April 2011, compared to the same period the year before, exports were up 79 percent for nonfat dry milk/skim milk powder, 68 percent for cheese, 104 percent for butterfat, and 32 percent for lactose with no change for total whey proteins. Dairy exports accounted for 13 percent of U.S. milk production on a total solids basis. By product, exports accounted for 50 percent of nonfat dry milk/skim milk powder, 5 percent of cheese, and 50 percent of dry whey.

The role of exports in the dairy demand equation has been more important in light of the U.S. domestic economy's more pessimistic outlook. The Consumer Confidence Index (CPI) declined again in June to 58.5, and hasn't been above 72 since March 2008. The CPI measures the degree of optimism on the state of the economy that consumers are expressing through savings and spending activities.

Milk Production Strong, But Threatened by Heat

Milk production during the first and second quarter of 2011 was up 2.2 percent and 1.3 percent, respectively, over the previous year. Strong production may have played a role in the softer cheese prices during April and May. Currently, persistent extreme heat across the U.S. is expected to impact total milk production as well as average milk components tests. The heat's impact may already be evident in the larger than normal volume of Northeast milk pooled during June on orders in the south.❖



Source: NASS *Dairy Product Prices*.

Mideast Order *(continued from page 1)*

The timeframe of the rulemaking to ensure that the proceeding concludes within 120 days from publication of the Action Plan includes that additional proposals be received by August 12, 2011; that there will be no pre-hearing workshop; data requests must be received no later than 10 days before the start of the hearing; and that a tentative hearing date is October 2011.

If issued, a Notice of Hearing detailing the date, time, and location of the hearing and the proposals under consideration will be published in the *Federal Register*. The Notice of hearing also will detail the deadline for all data requests of Dairy Programs so that the requested data will be available at the start of the hearing. A copy of the submitted proposal can be found on the Dairy Programs website: www.ams.usda.gov/dairy.❖

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

RETURN SERVICE REQUESTED

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

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, political beliefs, genetic information, 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, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Stop 9410, Washington, DC 20250-9410 or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.

Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	763,230,595	$16.07	122,651,156.62	
Butterfat	14,656,020	2.3025	33,745,486.05	
Less: Location Adjustment to Handlers			(2,627,443.10)	$153,769,199.58
Class II— Butterfat	30,030,945	2.3772	71,389,562.45	
Nonfat Solids	41,531,306	1.5022	62,388,327.87	133,777,890.32
Class III– Butterfat	19,468,861	2.3702	46,145,094.38	
Protein	15,327,155	2.9807	45,685,650.89	
Other Solids	29,255,933	0.3339	9,768,556.02	101,599,301.29
Class IV– Butterfat	7,773,006	2.3702	18,423,578.87	
Nonfat Solids	18,874,885	1.4694	27,734,756.03	46,158,334.90
Total Classified Value				**$435,304,726.09**
Add: Overage—All Classes				21,622.83
Inventory Reclassification—All Classes				207,926.70
Other Source Receipts	2,092,087	Pounds		68,133.65
Total Pool Value				**$435,602,409.27**
Less: Producer Component Valuations @ Class III Component Prices				(386,382,472.94)
Total PPD Value Before Adjustments				**$49,219,936.33**
Add: Location Adjustment to Producers				10,330,245.52
One-half Unobligated Balance—Producer Settlement Fund				944,975.05
Less: Producer Settlement Fund—Reserve				(951,622.17)
Total Pool Milk & PPD Value	1,998,105,192	Producer pounds		**$59,543,534.73**
Producer Price Differential		**$2.98**		
Statistical Uniform Price		**$22.09**		

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