

The Market Administrator's

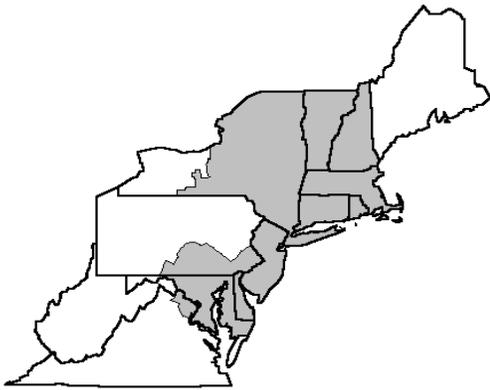
BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1



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April Pool Price Calculation

The April 2012 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.20 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 \$17.73 per hundredweight. The April statistical uniform price was 44 cents per hundredweight below the March price. The April producer price differential (PPD) at Suffolk County was \$1.48 per hundredweight, also a decrease of 44 cents per hundredweight from last month.

During April, product prices for butter and cheese increased while prices for nonfat dry milk and dry whey decreased. As a result, the butterfat price rose and the prices for nonfat and other solids dropped; the protein price decrease slightly. All class prices declined except Class III that had no change from March. The combination of lower prices and higher utilization in the lower-priced classes resulted in a lower uniform price.

The volume of producer milk receipts utilized in Class I (777.0 million pounds) was the smallest for the month of April (see article below). The Class II volume was the largest for this month and the first time Class II usage was greater than 500 million for the month of April. Class IV utilization for April was the third highest ever. The average producer protein test for April tied with 2011 for a record high; the other solids test set a record high for the month of April. ❖

Decline in Class I Volume Impacts Uniform Price

The volume of milk utilized as Class I (fluid milk products) for the month of April was the second lowest of the 148 monthly uniform price calculations that have occurred since the Northeast Order commenced in January 2000. The only month with a lower volume was July 2011, a month where historically Class I utilization declines as schools recess for the summer.

This year's volume was nearly 38 million pounds less than the April volume of a year ago, while the Class I price was \$3.77 per hundredweight below April 2011 and some \$6.25 less than the all (continued on page 2)

Pool Summary

- A total of 12,698 producers were pooled under the Order with an average daily delivery per producer of 5,520 pounds.
- Pooled milk receipts totaled 2.103 billion pounds, an increase of 0.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 37.0 percent of total milk receipts, a decrease of 2.8 percentage points from March.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	37.0	776,957,450
Class II	24.1	506,080,450
Class III	23.1	486,565,960
Class IV	15.8	333,027,331
Total Pooled Milk		2,102,631,191

Producer Component Prices

	2012	2011
	\$/lb	
Protein Price	2.6568	2.4984
Butterfat Price	1.5645	2.2113
Other Solids Price	0.4048	0.2902

Class Price Factors

	2012	2011
	\$/cwt	
Class I	18.91	22.68
Class II	16.20	19.66
Class III	15.72	16.87
Class IV	14.80	19.78

Decline in Class I *(continued from page 1)*

time high Class I price, \$25.16, set in September 2007. In some months the switching of the regulatory status of plants from one Federal Order to another Federal Order can result in changes in an order's overall utilization. That was not the case this April as there were no significant changes in the group of plants (Class I in particular) regulated by the Northeast Order when compared to April 2011. In some months the calendar composition can have an impact on total sales during the month. April 2011 had an additional Friday and one less Monday, compared to April 2012, with Friday perhaps being a stronger day in terms of milk sales during a typical week.

Impact on Statistical Uniform Price

The statistical uniform price (SUP) calculation is determined by the level of the class prices and the volume of milk utilized within each class (refer to page 4 of this Bulletin, *Computation of Producer Price Differential and Statistical Uniform Price* for more detail on how April's price was calculated). In simplest terms, the monthly SUP is a weighted average of the class prices (weighted by volume of milk per class) and is thus dependant upon the overall utilization of the Order. Handlers with milk utilizations in classes that have a class price above the SUP incur an obligation to the Market Administrator's producer settlement fund for the difference between the class price and the SUP.

Handlers with milk utilizations in classes that are priced less than the SUP receive disbursements from the Market Administrator's producer settlement fund. Individual producers receive the component value for their milk at the Class III component prices, plus a proportionate share of dollars in the pool generated by any class prices above the SUP. This amount is the producer price differential (PPD), which is adjusted to where a producer's milk is delivered.

You have to go back to December 2008 to find a month where a class price, other than the Class I price, is greater than the SUP at Suffolk County, MA (Boston), thus requiring a handler with milk utilized in this other class to also incur a payment obligation to the producer settlement fund. Since the value for the PPD is largely derived from Class I milk, dips in the volume of Class I milk pooled on the order reduce the amount of money available to be returned in the monthly PPD. If the April 2012 pool was recalculated using the same volume of milk that was utilized as Class I in April 2011 (an extra 37.6 million pounds), while simultaneously removing an equivalent volume from what generally is considered the balancing or residual class, Class IV (dried milk products and butter), the SUP for April would have been 9 cents per hundredweight higher, holding all other class utilizations at their actual April 2012 volumes. ❖

Northeast Milk Production Lags Behind Other Areas

During the first quarter of 2012, total milk production in the United States grew 4.1 percent (leap-year adjusted) over the same period in 2011. In the Northeast (includes the New England states, New Jersey, New York, Pennsylvania, Delaware, Maryland, Virginia, and West Virginia), the increase for this period was only 1.1 percent. All 2012 comparisons have been adjusted for leap year.

Quarterly State Comparisons

For 2011, U.S. milk production rose 1.8 percent with increases of 2.2 percent during the first quarter, 1.3 percent during both the second and third quarters, and 2.3 for the fourth quarter. As mentioned in the opening statement, milk production this year is up considerably from last year with increases of 3.7 percent in January, 4.4 percent in February, and 4.2 percent in March. California, the leading milk-producing state, showed growth of 6.6 percent for the first quarter. Of the top ten milk-producing states, Michigan, Texas, and Washington all reported increases of 5.0 or greater for the same period. All of the top ten milk-producing states had production increases except Pennsylvania whose adjusted growth is flat. See accompanying table.

In the Northeast, the state with the highest increase

for the first quarter was New York with 2.5 percent. The only other states reporting growth for the first quarter were Delaware (1.8 percent), Maine (1.6 percent), *(continued on page 3)*

Change in Milk Production

State/Area	Percent Change		
	2011 from:		1st Qtr 2012 from:
	2007	2009	2011
AZ	4.8	8.2	7.2
CA	1.9	4.9	6.6
FL	7.8	9.2	2.5
ID	14.8	9.1	4.0
MI	11.2	6.4	5.6
MN	2.7	(1.4)	1.5
NM	12.2	3.5	3.6
NY	6.0	3.2	2.5
OR	11.0	10.3	2.9
PA	(0.7)	0.5	(0.0)
TX	29.8	8.4	5.0
VT	0.3	2.8	(0.3)
WA	11.5	10.9	5.0
WI	8.5	3.5	3.8
Northeast	1.4	1.4	1.1
US	5.7	3.7	4.1

Source: NASS Milk Production.

Northeast Milk *(continued from page 2)*

Rhode Island (1.0 percent), Virginia (2.3 percent), and West Virginia (1.4 percent). Pooled milk receipts for the Northeast Order have averaged an increase of 2.3 percent for the same period.

Annual State Comparisons

When comparing U.S. milk production for 2011 to prior years, overall growth also has surpassed the Northeast. States in the western part of the country have had the greatest increases. Besides California, these include Arizona, Idaho, New Mexico, Oregon, and Washington. Michigan and Texas also have reported some of the larger increases. Minnesota and Wisconsin, along with New York, Pennsylvania, and Vermont, have reported more conservative growth and even some decreases.

County Highlights

Within the Northeast's top three milk-producing

states (New York, Pennsylvania, and Vermont), certain counties have experienced significant growth. In central New York, Cayuga County has reported increases for 2011 of 7.4 percent from 2009 and 51.7 percent from 2007. Production for 2011 in Wyoming County, NY, was 3.6 percent above 2009 and 6.6 percent over 2007. Wyoming is located in western New York State. Also in New York, but in the northern part of the state, St. Lawrence County has shown increases over 2007 and 2009 of 32.2 and 7.9 percent, respectively. In Vermont, Addison County production for 2011 grew 3.0 percent from 2009 and 3.8 percent from 2007. Franklin County, VT, reported increases for 2011 of 3.9 percent from 2009 and 1.0 from 2007. In contrast, two of the counties with the largest volume of producer receipts on the Order, Franklin and Lancaster, both in Pennsylvania, had declines in 2011, compared to 2009. ❖

NFDM Stocks Evidence of Strong Supply

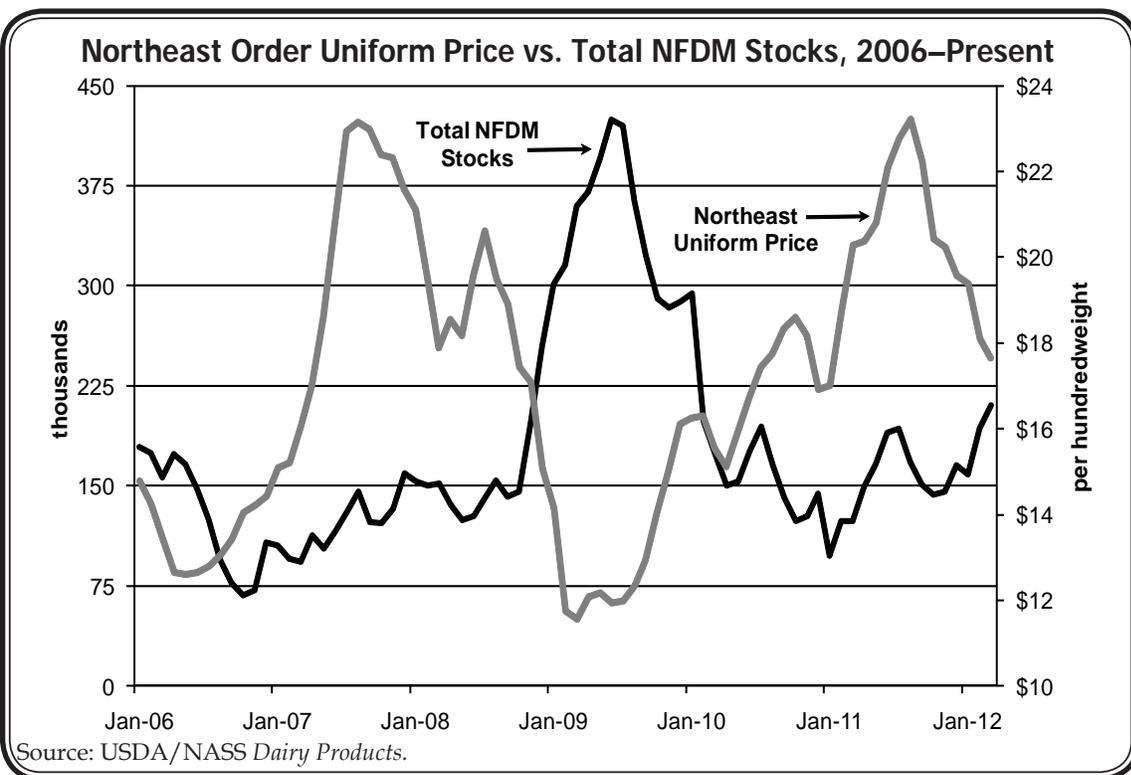
Strong milk production appears to be outpacing demand as manufacturer's stocks of nonfat dry milk (NFDM) have been growing since January 2012 after some decline during the fall of 2011. There have been no government owned NFDM stocks since September 2010. The out-of-balance supply largely is to blame for the decline in milk prices, particularly since the start of 2012. Mild winter conditions and production response to high prices and more comfortable margins in 2011 have resulted in very strong supply. As a storable commodity, the growth of NFDM stocks is often indicative, and possibly predictive, of softer milk prices.

The accompanying chart shows total NFDM stocks versus the Northeast Order uniform price at Boston, MA. The inverse relationship between NFDM stocks and the uniform price is evident. Beginning in September 2008, total NFDM stocks rose rather dramatically, coinciding with a rapid decline in the Northeast uniform price. This was followed by a decline in total stocks to about 98 million pounds as the price recovered. Most

recently, the chart depicts a return of NFDM stocks with an increase in prices since August 2011.

NFDM Exports

During 2011, the United States exported 49 percent of the NFDM it produced, according to the U.S. Dairy Export Council. For the first quarter of 2012, the U.S. exported 44 percent of the NFDM it produced, compared to the 53 percent level it exported during the first quarter a year ago. The NFDM that is not finding a home overseas needs to find a domestic market, and based on the report, some of it may be ending up as stocks. ❖





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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	762,640,075	\$13.95	106,388,290.46	
Butterfat	14,317,375	1.5564	22,283,562.45	
Less: Location Adjustment to Handlers			(2,577,308.82)	\$126,094,544.11
Class II— Butterfat	29,508,965	1.5715	46,373,338.51	
Nonfat Solids	43,634,621	1.2322	53,766,579.96	100,139,918.47
Class III— Butterfat	20,599,447	1.5645	32,227,834.84	
Protein	14,823,598	2.6568	39,383,335.18	
Other Solids	27,876,875	0.4048	11,284,559.00	82,895,729.02
Class IV— Butterfat	13,703,836	1.5645	21,439,651.41	
Nonfat Solids	29,294,825	1.0728	31,427,488.26	52,867,139.67
Total Classified Value				\$361,997,331.27
Add: Overage—All Classes				7,869.97
Inventory Reclassification—All Classes				77,270.81
Other Source Receipts	3,320,134 Pounds			61,345.58
Total Pool Value				\$362,143,817.63
Less: Producer Component Valuations @ Class III Component Prices				(341,682,481.39)
Total PPD Value Before Adjustments				\$20,461,336.24
Add: Location Adjustment to Producers				10,753,089.90
One-half Unobligated Balance—Producer Settlement Fund				859,963.68
Less: Producer Settlement Fund—Reserve				(906,310.26)
Total Pool Milk & PPD Value	2,105,951,325 Producer pounds			\$31,168,079.56
Producer Price Differential		\$1.48		
Statistical Uniform Price		\$17.20		

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