

Chapter 6. Dairy — Markets and Policy

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2000 Dairy Outlook

Positive Factors:

- Quantity of feeds is adequate in most parts of the New York
- Quality of much of the forage harvested is also good
- Purchased grain prices will be low

Negative Factors:

- Excellent quality hay is in short supply
- Milk price will drop
- Replacement animals are expensive

Uncertainties:

- Impact of implementing federal order reform
- Additional law suits and congressional action on reforms

New York Dairy Situation and Outlook 1997, 1998 Preliminary 1999, and Projected 2000						
Item	1997	1998	1999	2000	Percent Change	
					98-99	99-00
Number of milk cows (thousand head)	699	701	702	701	0.1	-0.1
Milk per cow (lbs.)	16,519	16,748	17,040	17,300	1.7	1.5
Total milk production (million lbs.)	11,547	11,740	11,962	12,127	1.9	1.4
Blended milk price (\$/cwt.) ^a	12.76	14.73	14.01	12.49	-4.9	-10.8

^a New York–New Jersey blend price, 201–210 mile zone, 3.5 percent fat, this price excludes any premiums, assessments, or hauling fees. For year 2000, new Northeast order blend price for farms shipping milk to Oneida County (201-210 zone equivalent).

Table 6-1. U.S. Milk Supply and Utilization, 1993–2000.

	1993	1994	1995	1996*	1997	1998 ^a	1999 ^b	2000 ^c
Supply								
Cows Numbers (thous.)	9,589	9,500	9,458	9,351	9,258	9,158	9,142	9,078
Production/cow (lbs)	15,704	16,175	16,433	16,498	16,916	17,191	17,743	18,080
Production	150.6	153.7	155.4	154.3	156.6	157.4	162.2	164.1
Farm Use	1.8	1.7	1.6	1.5	1.4	1.4	1.4	1.3
Marketings	148.8	152.0	153.8	152.8	155.2	156.1	160.8	162.8
Beginning Commercial Stocks	4.7	4.5	4.3	4.1	4.7	4.9	5.3	7.0
Imports	2.8	2.9	2.9	2.9	2.7	4.6	5.0	4.8
Total Supply	156.3	159.4	161.0	159.8	162.6	165.6	171.2	174.7
Utilization								
Commercial Disappearance	145.1	150.3	154.8	155.0	156.6	159.9	163.9	167.6
Ending Commercial Stocks	4.5	4.3	4.1	4.7	4.9	5.3	7.0	5.0
DEIP	1.4	2.4	1.9	0.1	1.1	0.3	0.3	0.4
Net Removals (excluding DEIP)	5.3	2.4	0.2	0.0	0.0	0.0	0.0	1.7
Total Use	156.3	159.4	161.0	159.8	162.6	165.6	171.2	174.7

Source: Dairy Situation and Outlook, Milk Production, and Dairy Market News, U.S. Department of Agriculture. Note that total may not add exactly due to rounding.

* Leap year.

^a Revised.

^b Based on preliminary USDA data and Cornell estimates.

^c Projected by Mark Stephenson.

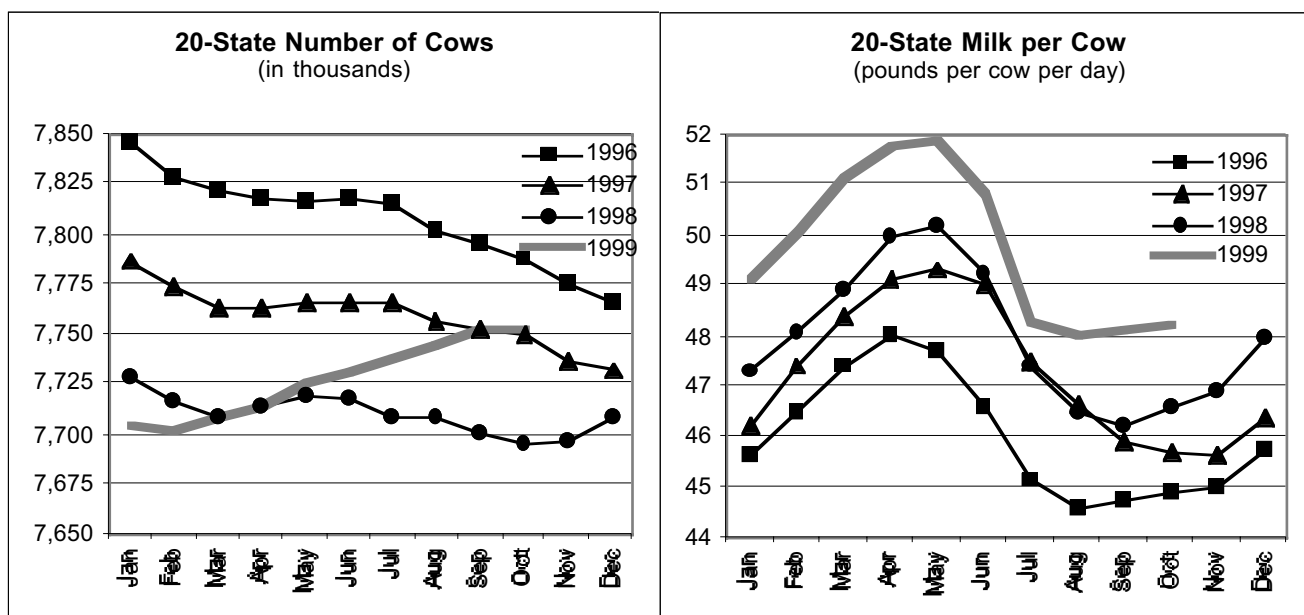
The U.S. Dairy Situation and Outlook

Milk Supplies

Three out of the past four years (1996, '98 & '99) have been years of excellent milk prices and the past two years have been years of quite low feed prices. The combination of these factors has sent the strongest signals to produce milk that we have seen in a very long time. The climatological effects of last year's El Niño—a wet California winter and hot summer—is gone and forgotten and the impact of 1999's La Niña—locally severe drought in the Mid-Atlantic states—could not turn off the milk supply faucet.

The National Agricultural Statistics Service (NASS) series of twenty milk producing states show cow numbers above levels of two years ago. The last time we saw a buildup of this magnitude was in the mid-1980s with a very active and persistent price support program. That probably makes the current situation non-comparable. You have to look back to 1951-52 to find an increase in cow numbers of a similar magnitude when the Commodity Credit Corporation (CCC) was active but less persistent in keeping milk prices high. In 1951 the all milk price had risen some 18 percent above year earlier levels and in 1952 there was an additional 6 percent increase. The 1950s price increase was the product of the early price support program. The Secretary of Agriculture had raised the support price to 90 percent of parity. This is no doubt what triggered the herd buildup at that time. Government purchases have been much more modest in recent years but market prices in 1998 had given us a 15% increase in milk price.

Usually, when we have rapid herd growth we experience stagnation in production per cow. This makes sense as herd building is accomplished by retaining animals that would normally be culled for low production. In the 1951-52 period there was almost no increase in production per cow. Our current situation is different. In 1999, production per cow is almost double the normal annual increase at the same time that cow numbers are increasing dramatically. Inexpensive concentrates and new technologies like bST are probably the answer to this riddle. Taken together, increases in cows and productivity are giving us a lot more milk.



Prices

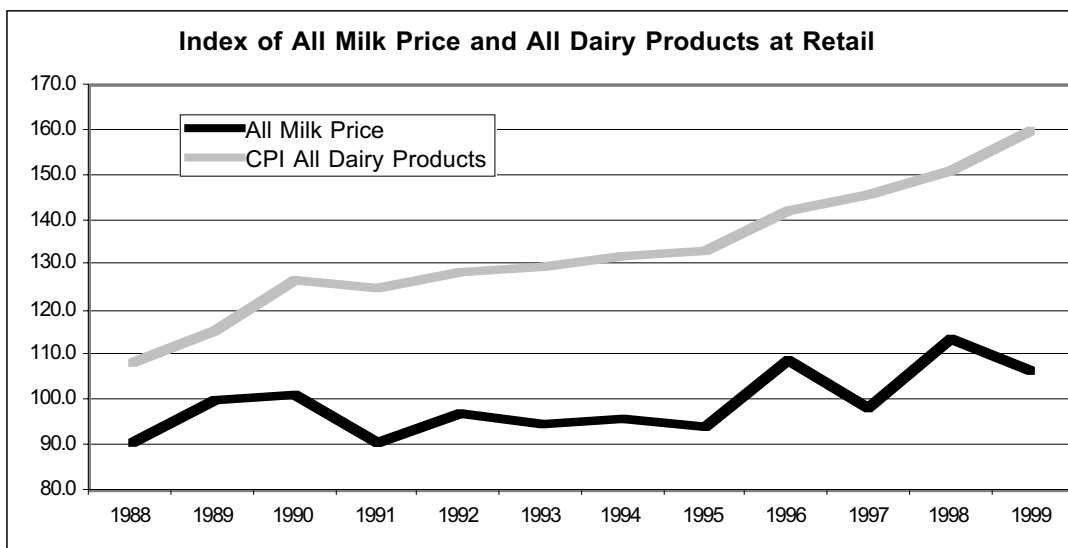
Milk and dairy product prices set new high water marks in 1998. The price increases in 1998 were triggered by tightness in late summer western milk supplies. The price gyrations of 1999 are much more difficult to diagnose. We could see milk supplies building last winter and a sharp decline in milk and dairy product prices was expected. What was unexpected was the magnitude of the price decline and the subsequent volatility.

In February of 1999 the Basic Formula Price (BFP) experienced the largest one-month decline ever—exactly \$6.00 per hundredweight. This was probably an over-reaction to normal declines in post holiday buying, milk production gathering momentum, and increasing inventories of manufactured dairy products. Market corrections occurred in July and August with the second and third largest increases in milk prices ever recorded (\$2.17 & \$2.20 respectively). This too was probably an over-reaction to market information. The economy had been strong and a NASS Cold Storage report indicated a drop in cheese inventories. The optimistic calculation of commercial disappearance of cheese was assumed to be the product of a very strong demand given the “feel good” economy. The Cold Storage report was incorrect and a later revision showed that commercial inventories had actually increased quite substantially bringing the commercial disappearance value back to more expected levels. The relatively high milk prices of summer could not be sustained with growing milk supplies and, in October the BFP recorded its second largest decline ever (\$4.77). With the second and third largest monthly milk price increases and the two largest declines ever, saying that 1999 has been an unusual year is probably an understatement.

Demand for Dairy Products

Retail prices have generally reflected the changing directions of farm milk prices. Prices for fluid milk at retail have moved almost in lockstep with the lagged BFP. Cheese prices drifted lower through the spring flush in response to the large drop in milk prices and have climbed sharply from summer through the fall following the higher farm prices of the summer. Last fall, retail prices for butter were approaching \$4.00 per pound. This year retail butter prices have declined by more than 30 percent.

Even though the direction of retail prices generally follows farm prices, the chart below indicates that the farm-to-retail price spread has widened substantially this year. There are several plausible reasons for



this. One reason may be that the highly volatile milk prices have led the marketing chain to require greater margins for assuming the price risk. Another reason may be that retailers have found the dairy case to be quite profitable in our expansive economy. A final reason may be that retail buyers were filling their “pipeline” with stocks earlier this year than last. Last year, the unprecedented prices of the fall were a product of retailers not being able to find dairy products for the big demand season of the fall. This year, many retailers bought early to avoid those tight market problems and that early activity gave us the appearance of strong consumer demand. The pipeline products were bought at the higher summer prices and those prices are being passed along to consumers now.

The calculation of commercial disappearance begins with milk production, subtracts farm use of milk and adds beginning stocks and imports to get a total supply number. From total supply, ending stocks and government removals are subtracted to derive commercial disappearance—a residual value from all the other estimates. When pipeline stocks were being purchased earlier in the year, it gave the appearance that demand was stronger than it actually was. These so-called pipeline stocks are usually not counted in the USDA’s ending stocks number.

It is important to remember that commercial disappearance is not equivalent to demand. Although demand would have been overstated by the disappearance numbers, consumption of dairy products has been strong in 1999. Dairy products in general, and particularly cheese, have been growing in popularity for several years. Changes in tastes and preferences account for a portion of the increased consumption but a strong economy is also an important contributor to purchases of high value food items. This year the U.S. Gross Domestic Product (GDP) has grown by a very strong 3.8 percent. Projections for next year also call for an optimistic 3.1 percent growth. The Conference Board’s Consumer Confidence Index (CCI) and the Index of Consumer Sentiment (ICS) from the University of Michigan has tracked consumer confidence for several decades. The U.S. Chamber of Commerce considers these indexes to be generally good indicators of turning points in the economy. It has been observed that there is about a 6-9 month lag between these indicators and a change in demand for dairy products. The CCI has been falling since June as a result of fears of interest rate increases from the Federal Reserve Board. It remains to be seen whether this leading indicator will forecast a downturn in demand for dairy products in the year 2000.

Policy

The new millennium may actually usher in dairy policy that had its beginnings before the 1995 farm bill. Last year at this time we were anticipating a referendum on a federal order reform package with implementation in the early part of 1999. Congress delayed that timetable, but a vote was taken in August and producers overwhelmingly approved the final rule for federal order reform in all 11 new orders with implementation set for October, 1999. However, even this was delayed.

Federal orders regulate processors but only milk producers are able to vote on changes in the orders. Because of this extraordinary power in the hands of producers, the USDA must carefully consider the orders to ensure that all parties—producers, processors and consumers—are treated fairly. The procedure used to ensure equity is that the vote by producers is “all or nothing” meaning that producers cannot pick-and-choose the portions of the new orders that they like and discard the rest. Moreover, a “no” vote means that no federal order is in place—you do not retain the current federal order. Milk producers did not like many of the proposed changes in the final rule for federal order reform but they recognized that would be much worse off without a federal order. In many regions of the country, this was the reason for the affirming vote on the new orders. Several regions of the country disliked the changes in the orders so much that three law suits were filed to block implementation of the new orders. On September 28, a judge in Burlington, Vermont issued a temporary restraining order again delaying reform.

The major issue behind the law suits was the change in class I differentials in many regions of the country. As an example, Oneida county is in the 201-210 zone of the New York-New Jersey federal order. Currently, the Class I differential in that county is \$2.42 per hundredweight and the final rule proposed to lower that to \$1.85. On the surface, this 57¢ decline in the class I value with a 40 percent class I utilization would appear to lower the blend prices by about 23¢ per hundredweight. However, there were many other changes to milk pricing under the final rule that would also impact blend prices. Over the past twelve months, my estimation of blend prices in Oneida county under final rule pricing would have averaged 3¢ per hundredweight less than the current federal order blend prices.

The temporary restraining order gave congress the time needed to legislate changes to the final rule. A regionally acrimonious debate between congressmen from the Upper Midwest and other regions of the country (primarily the Northeast) culminated with dairy policy being attached to the federal spending bill. The bill addressed four areas of reform: 1) adoption of a new set of class I differentials, 2) require USDA to reconsider the milk pricing formulas which will replace the Basic Formula Price, 3) provide a trial period for processors (other than class I) to offer forward pricing contracts under federal orders, and 4) extend the existing dairy compact in the six New England states until September of 2001. It is expected that the new federal orders will be implemented as early as January, 2000, with the congressionally mandated changes.

The new class I differentials are generally higher than under the final rule. In Oneida county, the differential will be \$2.50 and my estimates of average blend prices over the past twelve months would have yielded a 34¢ per hundredweight increase over the current pricing and a 37¢ per hundredweight increase over the final rule pricing.

Although federal order reform issues dominate the policy discussion, there are a few other noteworthy policy items. The agricultural appropriations bill was expected to be the vehicle for congress to use to make changes in order reforms. The reforms were attached to a later bill but a couple of dairy provisions were passed as a part of the ag appropriations bill. The price support program was to have ended this year but it has been extended through 2000. For most of the 1990s this would not have seemed like much of a bone to throw to dairy but this year it could be very important. The other piece which related to dairy in that bill was the allocation of \$125 million to be paid out for disaster relief. This is similar to the \$200 million in payments paid out in April of 1999. There is no current information about how the payments will be made but the math suggests that this will be a relatively small payment to individual producers.

The final policy issue finds dairy to be a relatively minor player in some very large issues. On November 30, 1999 the next round of negotiations within the World Trade Organization began in Seattle, Washington. 135 countries are working to reduce subsidies, lower import restrictions and generally liberalize the rules governing trade in all commodities around the globe. It will take several years before the negotiations are completed but trade in dairy products will almost certainly make progress toward greater liberalization. The U.S. dairy industry is not a big player in world markets and is unlikely to observe great gains or losses as a result of the trade talks. Nevertheless, U.S. trade representatives and industry personnel will be watching closely for U.S. interests.

Outlook and Summary

The new year will have several strong forces at work trying to discover the value of milk. It looks as though federal order reform will be implemented on January 1, 2000 and my forecast reflects those changes in minimum milk pricing regulation.

The past two years have been very profitable years for dairy farms and an unusual number of producers have made a commitment to expansion. For those producers who are not fully engaged in an expansion, greatly reduced milk checks in February coupled with larger than normal tax obligations may cause them to reconsider expansion plans. However, substantial expansion is already underway and it will take a couple of years of low prices to stem the surge in milk supplies. I expect that we will begin to see heavier culling in the second half of 2000. The culling of lower producing cows would normally send the estimates of pounds of milk per cow higher but I am projecting something like normal increases in productivity. Even though concentrate costs will continue to be historically low in the new year, low milk prices will cause dairy farmers to reconsider the level of rBST use in their herds.

There are no particular dark clouds on the demand horizon. We expect 2000 to show us a continued strong economy growing at more than 3 percent. Demand for dairy products should continue at a steady rate of growth. It is really milk production that provides a depressed milk price forecast.

Inventories of dairy products will close the year at burdensome levels. I expect that we will work some of those inventories down through commercial channels but I also expect that CCC purchases will pick up much of the slack. We have not seen much cheese sold to the government for most of this decade but cheese prices have hit support levels in the late fall of 1999 and I expect cheese to be sold to the government. A fair amount of nonfat dry milk was sold to CCC in 1999 and it is likely that quite a bit more will be sold in the year ahead. If the "tilt"—the relationship between government support prices for butter and powder—is changed, butter could be purchased by the CCC as well. There will also be pressure to move all of the dairy product through the Dairy Export Incentive Program (DEIP) allowed under our current General Agreement on Tariffs and Trade (GATT) provisions.

The lower milk prices that I am projecting would be a substantial challenge to northeast milk producers but there will be new regulations to contend with as well. Milk will be priced under multiple components (MCP) and not on a per hundredweight basis. This will require a new mindset for producers to emphasize components and not volumes. For order 2 producers, there will also be a change from farm point pricing to plant point pricing. This means that producers will now care about where their milk is shipped. In general, you will *not* want to move milk away from the metropolitan regions along the coast, but generally toward them. MCP and plant point pricing may require a change in strategy. The milk checks will also look considerably different. For order 2 producers, a 15¢ hauling credit will no longer be paid out of pool receipts. This is not money out of producer pockets but something closer to the full cost of hauling will show up on the milk checks. Rest assured that you milk hauler is not adding insult to the injury of lower milk prices by raising his/her costs—the cost is just being reported differently on your checks.

Putting it all together, my forecast is that a blend price under the new Northeast federal milk marketing order will be down by about \$1.50 per hundredweight from 1999 levels. The market itself would have dropped my price estimate by \$1.80 but the new milk pricing regulations will give back an additional 30¢ per hundredweight. I indicated that we have to look as far back as the early 1950s to find a comparable increase in milk cow numbers stimulated by a comparable increase in milk prices. The 1951-52 cow increase took a 19% decline in milk price over the following two years to bring the national herd back down to market clearing levels. Nationally, the manufacturing milk prices that I am projecting reflect a decline of about that magnitude below our 1998 average price. I'm betting that it will take two tough price years before the markets send some positive signals telling us that they are ready to have producers bring on some more milk.

Table 6-2. National Farm Prices for Milk; CCC Purchase, Wholesale, and Retail Prices for Cheddar Cheese, Butter, and Nonfat Dry Milk; and Selected Retail Price Indices, 1991–1999.

	1991	1992	1993	1994	1995	1996	1997	1998 ^a	1999 ^b
Farm Milk (\$/cwt.)									
All Milk (ave. fat)	12.27	13.15	12.84	13.01	12.78	14.75	13.36	15.41	14.41
M-W or BFP (3.5%)	11.05	11.88	11.80	12.03	11.83	13.39	12.05	14.20	12.61
Support (3.5%)	9.90	9.96	9.98	9.99	9.99	10.25	10.10	9.95	9.80
Milk Price: Concentrate Value	1.58	1.69	1.65	1.62	1.63	1.60	1.54	1.98	2.01
Assessment	0.05	0.13	0.15	0.17	0.15	0.03 ^c	0.00	0.00	0.00
Cheddar Cheese, Blocks (\$/lb.)									
CCC Purchase	1.110	1.116	1.119	1.120	1.120	1.145	1.130	1.115	1.100
Wholesale, NCE/Chicago Mercantile Exchange	1.204	1.282	1.286	1.287	1.304	1.466	1.308	1.569	1.401
Butter (\$/lb.)									
CCC Purchase, Grade A or higher, Chicago	0.983	0.807	0.708	0.668	0.770	0.650	0.650	0.650	0.650
Wholesale, Gr. AA, Chicago Merc. Exchange	1.015	0.844	0.771	0.709	0.814	1.078	1.159	1.769	1.241
Nonfat Dry Milk									
CCC Purchase, Unfortified (\$/lb.)	0.850	0.948	1.002	1.034	1.034	1.065	1.047	1.028	1.010
Wholesale, Central States	0.942	1.092	1.120	1.079	1.086	1.222	1.100	*1.060	1.030
Retail Price Indices (1982–84=100.0)									
Whole Milk	122.4	126.4	127.9	131.2	132.3	142.4	141.9	146.8	154.6
Cheese	132.8	135.5	135.3	136.4	137.9	144.7	147.7	152.3	163.2
All Dairy Products	125.1	128.5	129.4	131.7	132.8	142.1	145.5	150.8	160.0
All Food	136.3	137.9	140.9	144.3	148.4	153.3	157.8	161.1	164.6
All Consumer Prices	136.2	140.3	144.5	148.2	152.4	156.9	160.6	163.1	166.7

Source: Dairy Situation and Outlook, Dairy Market News, and Federal Milk Order Market Statistics, U.S. Department of Agriculture.

^a Revised.

^b Estimated by Mark Stephenson.

^c The Federal Agriculture Improvement and Reform Act of 1996 terminated the authority to assess marketings of milk on and after May 1, 1996.

The Northeast Dairy Situation and Outlook

Number of Producers Delivering Milk Northeast Federal and State Marketing Orders* 1993–1999							
Markets	1993	1994	1995	1996	1997	1998 ^a	1999 ^b
New York-New Jersey	12046	11609	11352	10855	10300	9845	9107
New England	4456	4133	4102	4019	3896	3787	3777
Middle Atlantic	5396	5292	4967	4990	5000	4688	4986
E. Ohio-W. Pennsylvania	4357	4205	3983	3691	3474	3150	2975
Western New York	705	640	583	553	522	502	517
Regional Total	26960	25879	24987	24108	23192	21972	21362

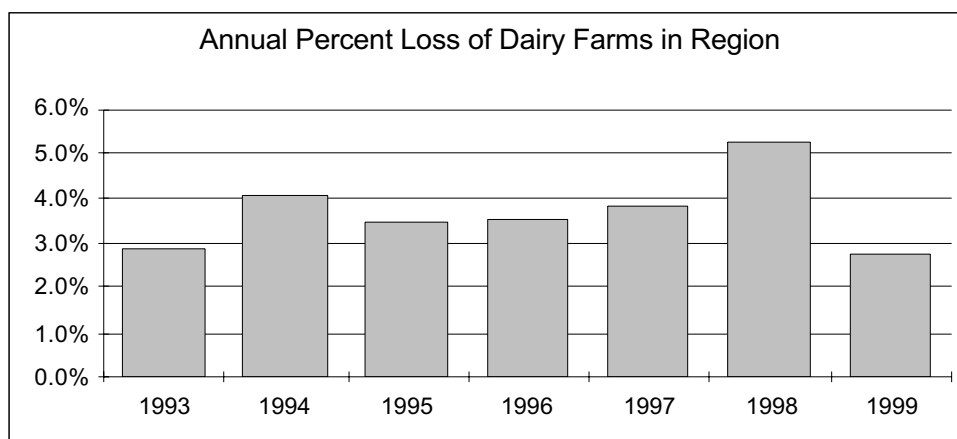
Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

* Simple average for 12 months.

^a Revised.

^b Projected.

In the five federal and state orders shown above, farm loss has averaged about three percent per year over the period from 1991–1997. In 1994, farm loss approached four percent balancing the smaller losses in 1992–1993. In 1998, the larger than average farm loss may be attributable to a year of strong milk prices. As asset values increase in high milk price years, older farmers wishing to retire find that they can capture more equity from their operation. The corollary is that in 1999, farm loss was slightly below trend, in part a result of second year of strong prices and optimism about the future of the industry. For any particular order, losses may appear to be higher than the actual loss of farm numbers because of where a plant was pooled.



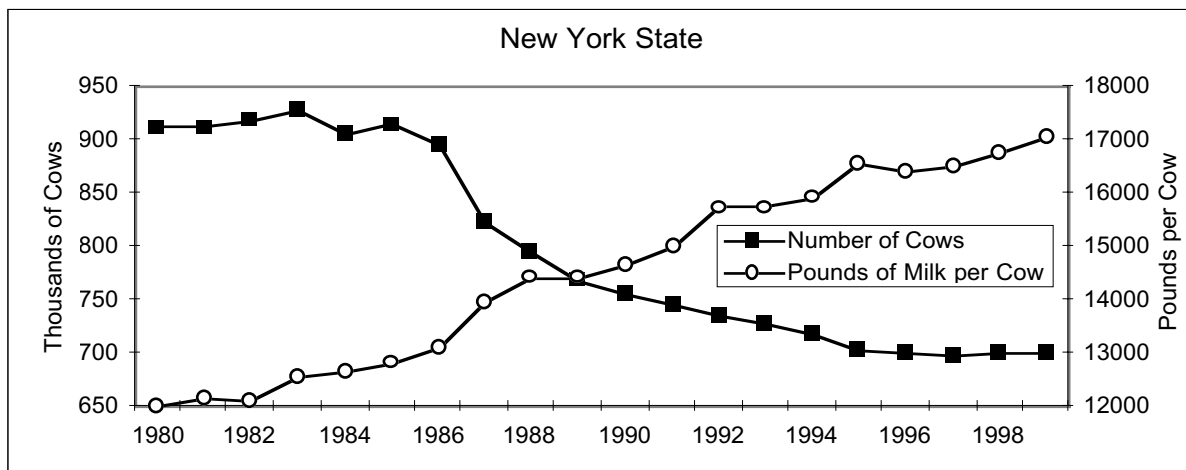
Receipts of Milk from Producers by Regulated Handlers, Million Pounds Northeast Federal and State Marketing Orders 1993–1999							
Markets	1993	1994	1995	1996	1997	^a 1998	^b 1999
New York-New Jersey	11452	11519	11935	11721	11772	11905	11669
New England	5345	5099	5370	5383	5452	5786	6046
Middle Atlantic	6381	6295	6210	6092	6481	6295	6472
E. Ohio-W. Pennsylvania	3546	3575	3476	3282	3318	3301	3787
Western New York	1117	1057	969	972	961	993	1000
Regional Total	27841	27545	27960	27450	27984	28279	28974

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^a Revised.

^b Projected.

Milk production in the federal and state orders is estimated to be up by just less than 2.5 percent over year earlier levels. This is a much larger gain than is typical for the northeastern orders, infact nearly double the values of the 1990s. Over the past two years milk production in the New York-New Jersey order and the Middle Atlantic order is essentially unchanged. The New England order however is showing more than a 10 percent gain over the two year time span. The increase in New England receipts may be attributable to the Northeast Compact. The chart below shows that New York producers are responding to higher milk prices in 1996, 1998 & 1999 by maintaining cow numbers. This is a phenomenon that has not been seen in more than a decade.



Source: Milk Production, US Department of Agriculture.

Producer Milk Used in Class I by Regulated Handlers, Million Pounds Northeast Federal and State Marketing Orders 1993–1999							
Markets	1993	1994	1995	1996	1997	^a 1998	^b 1999
New York-New Jersey	4604	4779	4804	4785	4714	4845	4738
New England	2626	2518	2574	2598	2600	2697	2878
Middle Atlantic	2877	2825	2774	2903	2950	2720	2919
E. Ohio-W. Pennsylvania	1820	1790	1794	1754	1731	1734	1992
Western New York	452	432	435	419	405	390	393
Regional Total	12379	12344	12381	12459	12400	12386	12919

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^a Revised.

^b Projected.

In 1996, the dairy industry was congratulating itself on successful advertising campaigns that had turned around the deteriorating sales of fluid milk. 1999 was a very good for class I sales in the Northeast. All orders with the exception of the New York-New Jersey order posted increased class I receipts. It should be noted that some of the increase may come from plants being pooled on one order at the expense of another. Although some headway was made in class I utilization in 1999, it is apparent that class I utilization has been on the decline since 1996. This is a function of both a lower volume of class I sales in some years and greater total milk production. The Northeast used to be considered to be net deficit in total milk production but currently there is a small surplus of milk produced in the region.

Percent Class I Utilization by Regulated Handlers Northeast Federal and State Marketing Orders 1993–1999							
Markets	1993	1994	1995	1996	1997	^a 1998	^b 1999
New York-New Jersey	40	41	40	41	40	41	41
New England	49	49	48	48	48	47	48
Middle Atlantic	45	45	45	48	46	43	45
E. Ohio-W. Pennsylvania	51	50	52	53	52	53	53
Western New York	40	41	45	43	42	39	39
Regional Average	44.5	44.8	44.3	45.4	44.3	43.8	44.6

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^a Revised.

^b Projected.

Minimum Class I Prices for 3.5% Milk Northeast Federal and State Marketing Orders 1993–1999							
Markets	1993	1994	1995	1996	1997	1998 ^a	1999 ^b
New York-New Jersey ¹	14.04	14.59	14.04	16.05	14.19	15.96	14.99
New England ²	14.14	14.69	14.14	16.15	14.30	19.33	15.09
Middle Atlantic ³	14.65	15.20	14.66	16.73	14.81	16.60	15.61
E. Ohio-W. Pennsylvania ³	13.62	14.17	13.63	15.63	13.79	15.60	14.59
Western New York ³	13.92	14.47	13.92	15.93	14.07	15.84	15.96

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^a Revised.

^b Projected.

¹ 201–210 mile zone.

² 21st zone.

³ Priced at major city in the marketing area.

In 1993, Class III–A was introduced for milk used in manufacturing nonfat dry milk. For this reason, the 1994–1996 values shown in the table below differ from one another according to the amount of Class III–A product pooled on an order. In some years, the III–A price has pulled the weighted average manufacturing price down by more than 75¢ in some orders. However, strong III–A prices (more than class III in several months) had the opposite impact in the past two years. In 1998 III–A prices actually increased average manufacturing prices. This is especially apparent in the New England and Middle Atlantic orders where a higher average III–A utilization is observed.

Minimum Manufacturing Prices for 3.5% Milk Northeast Federal and State Marketing Orders 1993–1999							
Markets	1993	1994 ^c	1995 ^c	1996 ^c	1997 ^c	1998 ^{a, c}	1999 ^{b, c}
New York-New Jersey ¹	11.80	11.59	11.77	13.36	12.07	14.22	12.59
New England ²	11.80	10.99	11.44	13.28	12.16	14.31	12.68
Middle Atlantic ³	11.51	11.50	11.60	13.24	12.23	14.38	12.75
E. Ohio-W. Pennsylvania ³	11.80	11.97	11.82	13.39	12.05	14.20	12.57
Western New York ³	11.75	11.96	11.48	13.32	12.00	14.23	12.40

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^a Revised.

^b Projected.

^c Weighted average blend of Class III and Class III–A prices.

¹ 201–210 mile zone.

² 21st zone.

³ Priced at major city in the marketing area.

Minimum Blend Prices for 3.5% Milk Northeast Federal and State Marketing Orders 1993-1999							
Markets	1993	1994	1995	1996	1997	^a 1998	^b 1999
New York-New Jersey ¹	12.61	12.98	12.56	14.41	12.76	14.73	14.01
New England ²	12.79	13.10	12.66	14.64	13.74	14.93	14.32
Middle Atlantic ³	13.11	13.35	12.97	14.99	13.40	15.25	14.45
E. Ohio-W. Pennsylvania ³	12.78	13.12	12.75	14.66	12.94	14.84	14.24
Western New York ³	12.58	12.88	12.60	14.44	12.87	14.73	14.07
Regional Average	12.77	13.09	12.71	14.63	13.14	14.90	14.22

Source: Annual Federal Milk Order Market Statistics and Annual Statistical Reports for State Orders.

^a Revised.

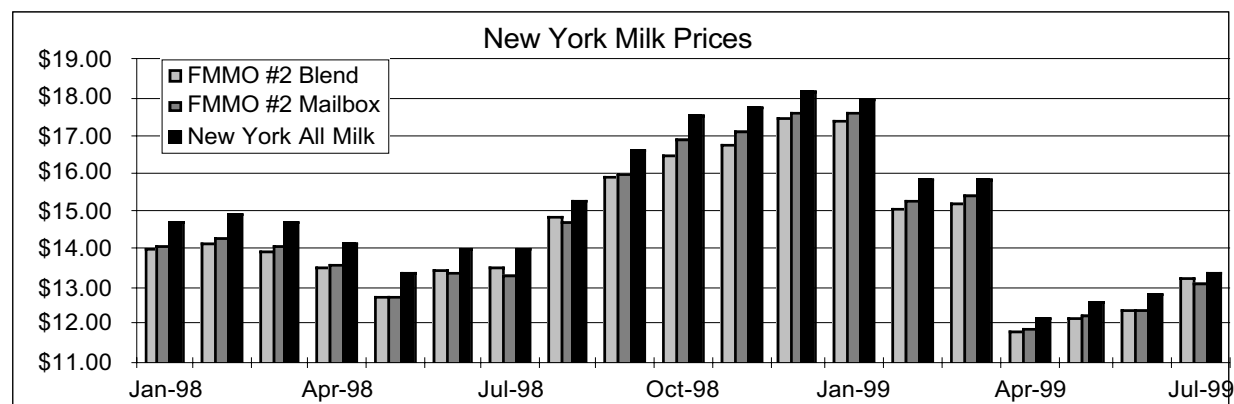
^b Projected.

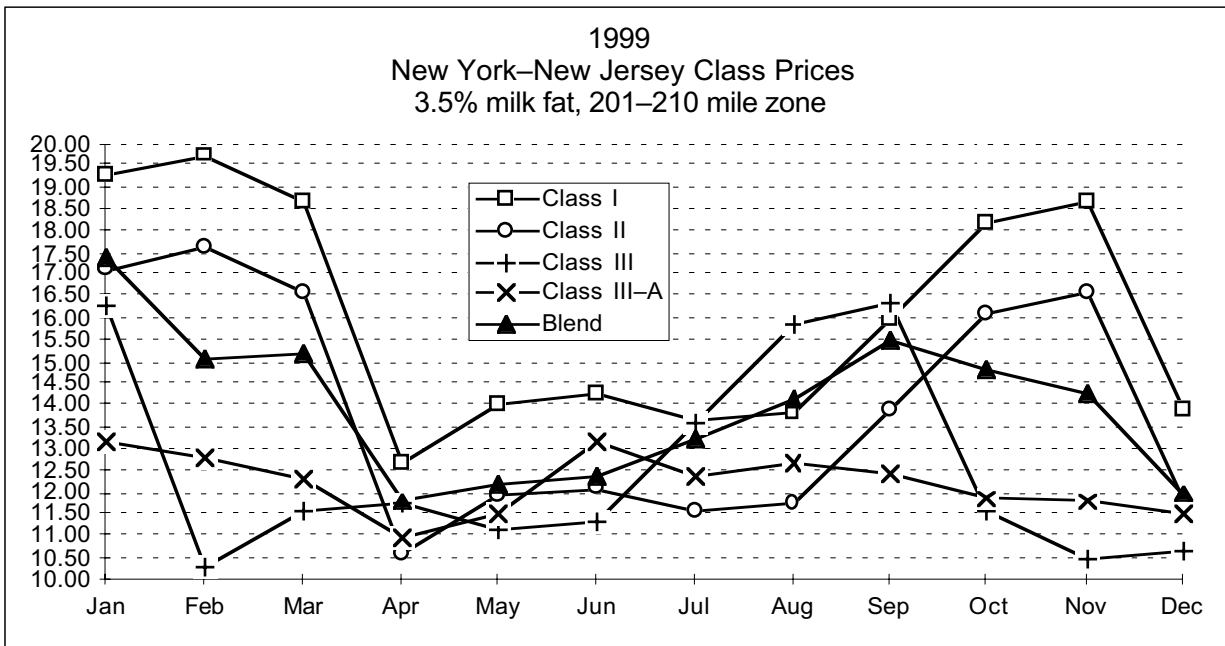
¹ 201-210 mile zone.

² 21st zone.

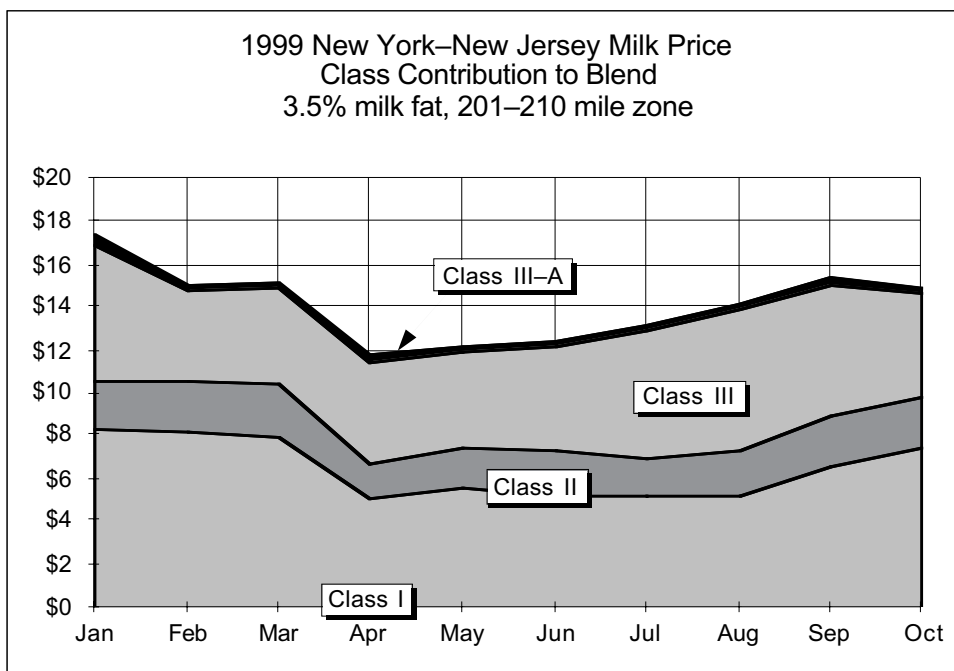
³ Priced at major city in the marketing area.

Several milk prices are often cited. The blend price is the minimum price that processors must pay to producers or their organization (cooperative) for milk purchased. The all-milk price is an estimate of what processors actually paid for milk delivered to their plant. The mailbox price is an estimate of what producers actually received for their milk, net of assessments and hauling costs. The difference between these three price series has become much smaller over the years.





As shown in the chart above, class prices do not move in lockstep. Because of this and because of seasonal differences, the impact on farm prices differs from month to month. It has not been characteristic of the III-A price, but for several months, the III-A price was greater than the class III price. The value of butter was prominent in the III-A price calculation this year. The chart below shows that Class I, or fluid milk, and Class III, predominantly milk used for cheese, have the largest impacts on blend prices in the New York–New Jersey order.



MILK PRICE PROJECTIONS*			
New York-New Jersey/Northeast Blend Price			
3.5 Percent, 201-210 Mile Zone/Oneida County			
Last Quarter 1999-2000			
Month	1998	1999	Difference
(dollars per hundredweight)			
October	16.47	14.86 ^a	-1.61
November	16.78	14.27 ^a	-2.51
December	17.45	11.95 ^a	-5.50
<i>Fourth Quarter Average</i>	16.90	13.69 ^a	-3.21
Annual Average	14.73	14.01	-0.72
Month	1999	2000 a	Difference
(dollars per hundredweight)			
January	17.40	11.61	-5.79
February	15.08	11.85	-3.23
March	15.21	12.05	-3.16
<i>First Quarter Average</i>	15.90	11.84	-4.06
April	11.78	12.16	0.38
May	12.24	12.15	-0.09
June	12.41	12.10	-0.31
<i>Second Quarter Average</i>	12.14	12.14	-0.01
July	13.21	12.17	-1.04
August	14.16	12.35	-1.81
September	15.52	12.73	-2.79
<i>Third Quarter Average</i>	14.30	12.42	-1.88
October	14.86 ^a	13.17	-1.69
November	14.27 ^a	13.63	-0.64
December	11.95 ^a	13.92	1.97
<i>Fourth Quarter Average</i>	13.69 ^a	13.57	-0.12
Annual Average	14.01^a	12.49^a	-1.52

* Totals may not add due to rounding.

^a Projected.