

Understanding Your June Milk Check: Mideast and Northeast Federal Orders

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Dairy farmers marketing their milk into the Mideast or Northeast federal order will be receiving their June milk checks this week. Even though farmers receive these final checks in July, they are based on milk shipments in June. I will attempt to explain how these milk checks were determined.

The first place to look on your milk check is the component prices for butterfat, protein, and other solids. These prices should be the same as those announced by the USDA. They are important since they determine your own personal

Class III value. The component values per pound for June 2000 are as follows: protein: \$1.4278, butterfat: \$1.4128, and other solids: \$0.0438.

These component values are determined from economic formulas that are dependent on monthly average commodity prices determined by the National Agricultural Statistics Service (NASS). The June monthly average NASS survey prices per pound are as follows: butter: \$1.2725, cheese: \$1.1137, nonfat dry milk: \$1.0097, and dry whey: \$0.1794.

Next, consider your component levels for butterfat, protein, and other solids. These are computed by dividing the pounds of the components by the pounds of milk shipped. It is important to compare you

component levels in percentage terms with the average for the order you ship your milk into. If your component levels are below average, your milk check will be below average.

Next, look for your Producer Price Differential, or PPD. The PPD reflects your share of the dollars generated by the market wide pool over and above the Class III value. The PPD is announced by your Market Administrator for a major city (Cleveland for Order 33 and Boston for Order 1). The PPD on your milk check is the announced PPD, plus a location adjustment to the plant you shipped your milk to. More about this next.

Mideast Order 33:

The June statistical uniform price for order 33 was \$12.38 per cwt. This is the average of all June class sales in the order adjusted to standard component levels. By itself, this figure doesn't mean much. But combined with the Class III price, it determines your PPD. Since the Class III price at 3.5 percent butterfat was \$9.46 per cwt, the PPD for Cleveland was \$2.92. Dairy farmers shipping milk into order 33 will have this PPD adjusted to the plant they shipped their milk to. These adjustments follow the map of Class I differentials that Congress agreed to. For example, dairy farmers who shipped milk to Sharpsville, Pennsylvania, will receive a PPD of \$3.02 per cwt in June (\$2.92 PPD plus \$0.10 adjustment).

The June component averages for order 33 were butterfat: 3.60

percent, protein: 2.96 percent, and other solids: 5.71 percent. Compare your component levels on your milk check with these figures. If your component levels in percentage terms are below these averages, your Class III value is below average!

Northeast Order 1:

The June statistical uniform price for order 1 was \$13.25 per cwt. This was based on pool sales of 42.1 percent Class I, 17.9 percent Class II, 30.1 percent Class III, and 9.9 percent Class IV. The PPD announced for Boston was \$3.79 per cwt. For dairy farmers shipping milk to plants in Lancaster county, Pennsylvania, the PPD would be \$0.35 per cwt less, or \$3.44 per cwt.

The June component averages for order 1 were butterfat: 3.63 percent, protein: 2.97 percent, and other solids: 5.78 percent. Again, if your component levels in percentage terms are below these, your Class III value is below average!

Producers shipping milk into order 33 also get a premium or discount for Somatic Cell Count, or SCC. The premium/discount is equal to 350 minus your SCC level (in thousands) times the somatic cell adjustment rate of \$0.00056 per cwt. If your SCC level is above 350, you received a deduction on your milk check. The average producer in order 33 in June received a SCC premium of \$0.01 per cwt.

supply has flowed into cheese vats and has resulted in growth in cheese inventories. On the other hand, milk receipts at cheese plants is seasonally slowing and that should result in lower stocks over time.

Grade AA butter prices at the CME weakened slightly this week, falling from \$1.19 per pound on Monday, July 10 to \$1.1775 per pound by Friday, July 14. It is likely that this price weakness reflects very short-term conditions. Butter production has already declined seasonally due to two factors. First, butterfat levels tend to be lower this time of the year due to summer heat. Second, starting in late fall, available cream supplies usually go into ice cream production.

Butter prices should improve some during the summer and fall months. However, adequate stocks of butter will prevent any significant run up in prices.

The market right now is waiting for additional information before making any new changes

in direction. The milk production report will be released Monday, July 17. The market will be looking closely at the number of cows on 20-select states. If that number levels off, we could see cheese prices strengthen slightly. However, if it continues to increase, you could see cheese prices capped at current levels over the next month.

The second report the market is anticipating will be the Cold Storage report to be released Friday, July 21. That report will provide important information on the amount of cheese and butter stored in public warehouses. It is likely that stocks of dairy products are already seasonally declining. That, along with a strong national economy, will help strengthen dairy commodity prices and farm-level milk prices.

For more information on dairy markets, see my website at: <http://www.aers.psu.edu/dairyoutlook/>

Community Benefit Weekend

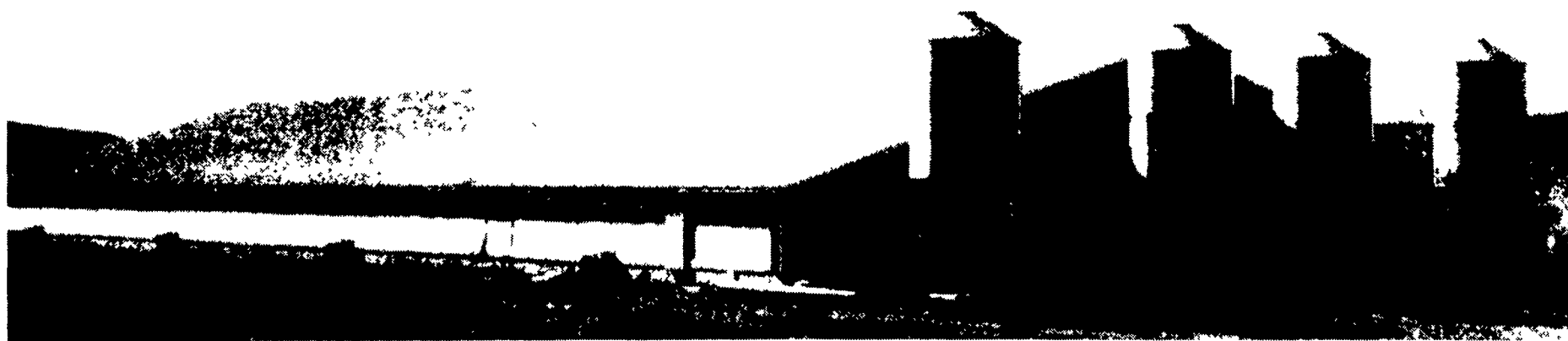
CHRISTIANA (Lancaster Co.) — Christiana residents are planning a community benefit weekend July 28-30. The event is to raise funds to cover medical expenses for Harold Keller, husband, father of three, and Octorara High School teacher, who was severely injured in an automobile accident Sept. 18, 1999.

Events include a pig roast dinner on Friday from 5 p.m. - 7 p.m. and a performance by Soul Patrol, a Saturday auction, and a Sunday morning worship service and evening gospel concert.

Activities will be held at the Christiana Lions Community building. For more information or to donate items, call (610) 593-2511.

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