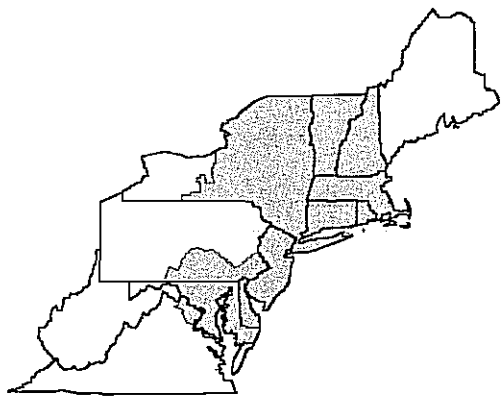


The Market Administrator's BULLETIN

EXHIBIT 32

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 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

July Pool Price Calculation

The July 2011 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $22.76 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 $22.83 per hundredweight. The July statistical uniform price was 67 cents per hundredweight above the June price. The July producer price differential (PPD) at Suffolk County was $1.37 per hundredweight, a decrease of $1.61 per hundredweight from last month.

During July, commodity prices for cheese and dry whey rose while butter and nonfat dry milk declined. The NASS cheese price jumped 22 cents per pound resulting in a nearly 85-cent increase in the protein price and a corresponding $2.28 per hundredweight increase in the Class III price. The Class I price, set in advance, was up 71 cents, while the Class II price decreased 8 cents and the Class IV price dropped 72 cents. This further tightening of the price spread between the classes lowered the PPD, while the overall blend price rose.❖

Utilization Changes by Type of Plant

Last month we highlighted changes in utilization by class and selected products within each class. This article compares the changes in total utilization at regulated pool plants, unregulated manufacturing plants, and partially regulated plants for the first 6 months of 2011, 2010, and 2006.

Regulated Pool Plants

Pool plants include distributing (bottling) and supply (manufacturing) plants regulated by the Northeast Order. Supply plants only account for 20 percent of the total volume utilized. These plants mostly are operated by cooperative associations and meet the shipping provisions required by the Order.

The accompanying table shows the total volume allocated by class and the percentage change compared to the same period in previous years. Overall, the volume utilized at pool plants rose 1.8 percent during the January-June period in 2011 compared to the same period

(continued on page 2)

Pool Summary

- A total of 12,924 producers were pooled under the Order with an average daily delivery per producer of 4,981 pounds.
- Pooled milk receipts totaled 1.996 billion pounds, a decrease of 3.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.7 percent of total milk receipts, a decrease of 0.3 percentage points from June.
- The average butterfat test of producer receipts was 3.58 percent.
- The average true protein test of producer receipts was 2.96 percent.
- The average other solids test of producer receipts was 5.71 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	38.7	772,800,687
Class II	24.6	490,824,308
Class III	25.3	504,120,590
Class IV	11.4	228,052,720
Total Pooled Milk		1,995,798,305

Producer Component Prices

	2011	2010
	$/lb	
Protein Price	3.8292	2.0515
Butterfat Price	2.2511	1.8964
Other Solids Price	0.3608	0.1700

Class Price Factors

	2011	2010
	$/cwt	
Class I	24.28	18.91
Class II	21.29	17.10
Class III	21.39	13.74
Class IV	20.33	15.75

Utilization Changes (continued from page 1)

in 2010; it rose 4.0 percent from the same time in 2006. Expectedly, Class I utilization declined from both years. Class II, which has risen significantly in the past 2 years jumped 22.5 percent since 2006; Class III showed a similar pattern. Class IV, basically a balancing function, declined from both years. The average number of regulated pool plants has declined slightly over the years: 72 in 2006, 69 in 2010, and 66 in 2011.

Unregulated Manufacturing Plants

The change in manufacturing plants is more dramatic. These plants receive milk from pool handlers but are not regulated under any federal Order because they do not meet the provisions of any federal Order. Their primary function is the manufacture of Class II, III, and/or Class IV products.

The majority of milk used at these plants was for Class III products; a minimal portion was allocated as Class I. As the table shows, the Class II volume has risen from both years shown, while the Class IV volume has dropped. The bigger news is the jump in Class II volume from both time periods. Class II plants in this category include the large yogurt manufacturers accounting for a considerable portion of the total increase. Due to the increase in Greek-style yogurt manufacturers, a product definition change in the Order, and some small specialty cheese manufacturers, the average number of unregulated manufacturing plants has risen from 37 in 2006 and 2010 to 50 in 2011.

Partially Regulated Plants

These plants include distributing plants that are not fully regulated under any federal order as they do not meet the route disposition requirements of the Order. The changes depicted in the table in Class I volume largely are the result of pooling changes that altered the regulation of plants between the time periods. For example, a large distributing plant regulated under the Order in 2006 became partially regulated for 2010 and part of 2011. The number of partially regulated plants averaged 19 in 2006 and only 15 in 2010 and 2011, but the total volume rose due to volumes of individual plants in the mix.❖

Volume Utilized by Type of Plant

	Regulated Pool Plants			Unregulated Manufacturing Plants			Partially Regulated Plants		
		Change from			Change from			Change from	
	2011	2010	2006	2011	2010	2006	2011	2010	2006
	(million lbs)	(percent)		(million lbs)	(percent)		(million lbs)	(percent)	
Class I	6,070.6	(0.4)	(2.9)	1.3	(26.7)	(65.1)	123.5	6.0	2,128.4
Class II	3,207.1	9.2	22.5	1,572.1	54.7	84.7	262.1	(5.7)	142.8
Class III	3,299.4	9.8	25.2	2,691.4	29.2	11.0	13.8	2.9	(10.0)
Class IV	2,095.5	(11.5)	(19.7)	374.1	(25.1)	(37.1)	4.9	(37.9)	(57.4)
Total	14,672.5	1.8	4.0	4,638.9	28.8	19.8	404.3	(2.8)	188.3

Milk Production, Pooled Milk Above Same Period Last Year

During the first 6 months of 2011, milk production in the United States totaled 98.9 billion pounds, an increase of 1.7 percent from the same period in 2010. The accompanying map shows year-to-year changes in milk production for the top 23 states, as reported by the National Agricultural Statistics Service (NASS), for the first 6 months of 2010 and 2011.

National Production

Nationally, the number of milk cows rose a slight 0.9 percent compared to the same period in 2010. During the first six months last year, milk cows had dropped 1.1 percent compared to the same six month of 2009. Milk production per cow rose 1.6 percent during the January–June 2011 period, compared to 2.8 percent increase during the same period in 2010.

California and Wisconsin remain ranked one and two in production, respectively, with New York and Idaho tied in third place for the six-month period. With Idaho's production growing at a higher rate than New York's (4.4 percent versus 1.9 percent, respectively), it is likely that Idaho will move into the number three spot, displacing New York, which has held that position since 1972. Of the top-ten states, Texas had the largest growth in milk production with an increase of 8.3 percent (368 million pounds) for the six-month period. California reported an increase of 2.6 percent, 567 million pounds—the largest volume increase of any state. Wisconsin and Minnesota, both of which showed growth during the same period in 2010, reported declines in production. The only other top ten state with a decline was Pennsylvania.

In the Northeast, milk production increased by only 0.5 percent for the period. The states making up New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) had a combined increase of 0.1 percent. The top 3 contributing states for the Northeast Marketing Area (New York, Pennsylvania, and Vermont) had a combined increase of 0.8 percent.

Pooled Receipts

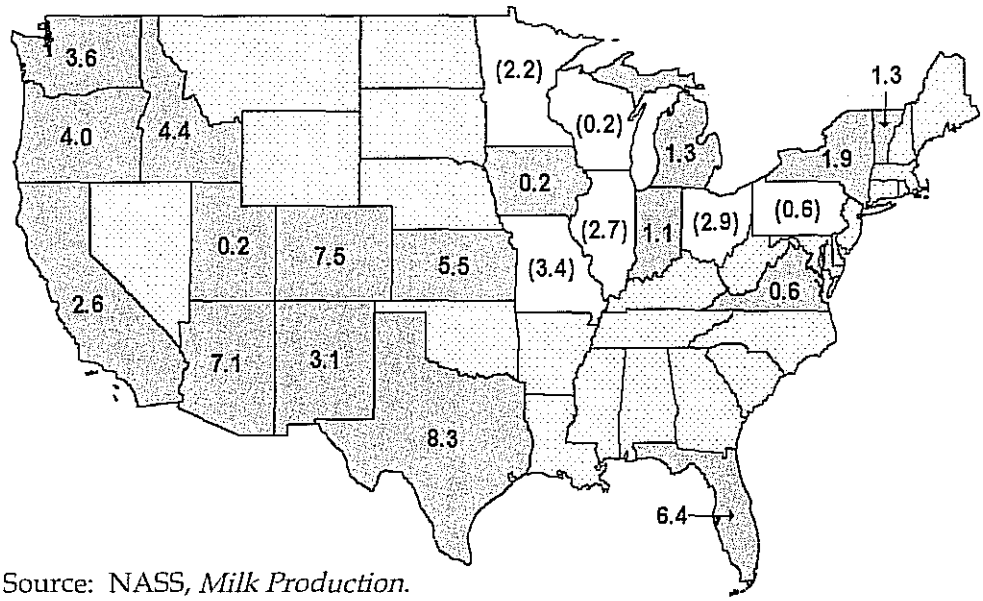
Pooled milk receipts on the Northeast Order grew 2.5 percent for the six-month period-an increase greater than (continued on page 3)

Milk Production *(continued from page 2)*

the combined average for the entire United States, the top ten states, and the Northeast states combined. The growth was due to a combination of increased milk production, mainly in New York, and pooling changes that have resulted in more milk regulated by the Northeast Order.

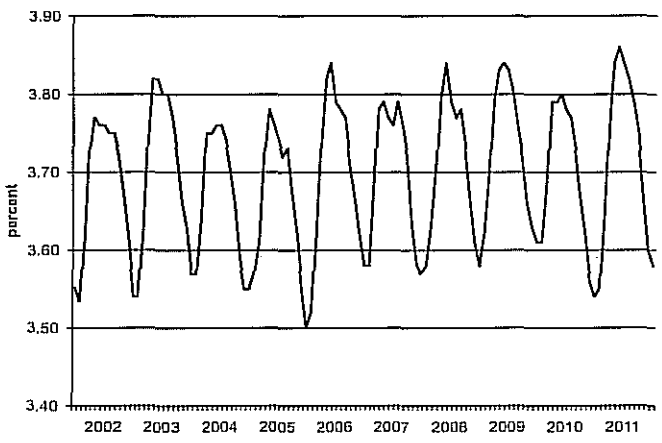
This trend occurred through May of 2011. In June, pooled milk receipts declined sharply due to decreased milk production and milk pooled to other areas, primarily the South. This trend appears to be continuing with July pooled milk receipts the smallest volume since 2007.❖

January–June 2011 Milk Production in the Top 23 Milk Producing States (Year-to-Year Percent Change)

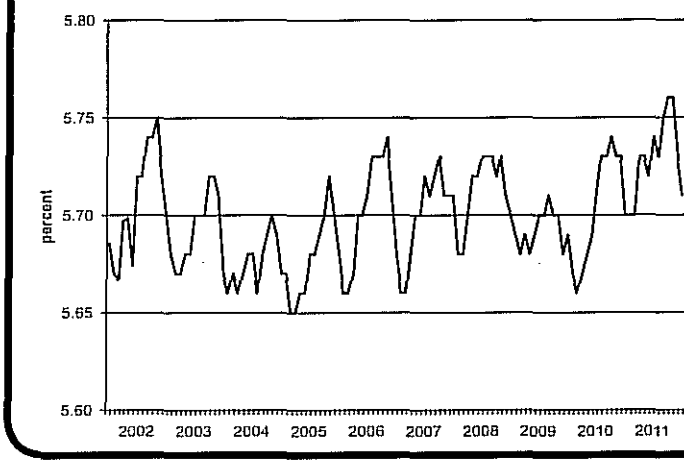


Source: NASS, *Milk Production.*

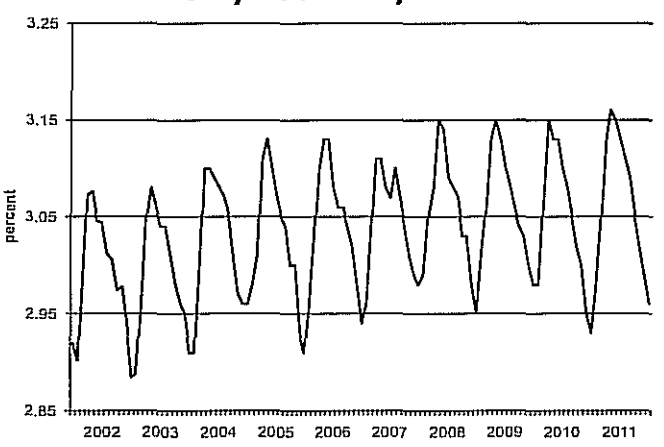
Average Producer Butterfat Tests, July 2001–July 2011



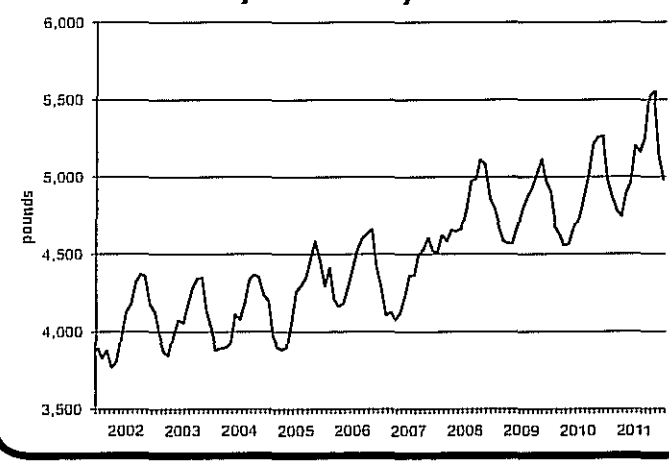
Average Producer Other Solids Tests, July 2001–July 2011



Average Producer Protein Tests, July 2001–July 2011



Daily Deliveries per Producer, July 2001–July 2011



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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	758,102,632	$16.42	124,480,452.17	
Butterfat	14,698,055	2.4095	35,414,963.52	
Less: Location Adjustment to Handlers			(2,614,714.12)	$157,280,701.64
Class II— Butterfat	29,149,498	2.2581	65,822,481.41	
Nonfat Solids	41,538,471	1.5411	64,014,937.69	129,837,419.10
Class III— Butterfat	18,919,522	2.2511	42,589,735.98	
Protein	14,951,626	3.8292	57,252,766.29	
Other Solids	28,745,866	0.3608	10,371,508.44	110,214,010.71
Class IV— Butterfat	8,721,426	2.2511	19,632,802.07	
Nonfat Solids	19,769,447	1.4336	28,341,479.19	47,974,281.26
Total Classified Value				**$445,306,412.71**
Add: Overage—All Classes				17,301.18
Inventory Reclassification—All Classes				(62,644.04)
Other Source Receipts	2,011,587 Pounds			25,760.16
Total Pool Value				**$445,286,830.01**
Less: Producer Component Valuations @ Class III Component Prices				(428,319,795.05)
Total PPD Value Before Adjustments				**$16,967,034.96**
Add: Location Adjustment to Producers				10,342,514.26
One-half Unobligated Balance—Producer Settlement Fund				983,954.79
Less: Producer Settlement Fund—Reserve				(923,508.40)
Total Pool Milk & PPD Value	1,997,809,892 Producer pounds			**$27,369,995.61**
Producer Price Differential		**$1.37**		
Statistical Uniform Price		**$22.76**		

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