



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2015

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

January Pool Price Calculation

The January 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.57 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 \$18.60 per hundredweight. The January statistical uniform price was \$3.45 per hundredweight below the December price. The January producer price differential (PPD) at Suffolk County was \$1.39 per hundredweight, a decrease of \$1.81 per hundredweight from last month.

Product Prices Effect

All commodity product prices declined in January except dry whey that rose slightly. Butter prices tumbled 34 cents; nonfat dry milk fell nearly 24 cents; and cheese prices dropped about 16 cents, all on a per pound basis. These decreases resulted in lower prices for all component prices except other solids. The butterfat price fell 41 cents per pound; it was the lowest since November 2013. Protein declined 7 cents per pound and reported its lowest price since April 2012. The nonfat solids price dropped 23 cents per pound and hit its lowest price since September 2009; for the first time since July 2012, it was below \$1.00 per pound. All class prices dropped: Class I tumbled nearly \$4.00 per hundredweight; Class II dropped nearly \$3.00; Class III declined \$1.64, and Class IV fell \$3.47. The SUP dropped again and marked its lowest level since July 2012. The PPD decreased due to a larger volume of the pool valued at lower prices compared to the Class III value; almost 19 percent of the pool was Class IV, which reported its lowest price since June 2012.

Records Set

The total volume of producer milk receipts was the highest ever for the month of January, while the Class I volume was the lowest ever for the month and the first time ever under 800 million pounds in January. The Class IV volume set a new record high for the Order and for the first time ever was over 400 million pounds. The average producer butterfat test was the highest ever for the month of January. ❖

Pool Summary

- A total of 12,104 producers were pooled under the Order with an average daily delivery per producer of 5,915 pounds.
- Pooled milk receipts totaled 2.219 billion pounds, an increase of 1.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 35.9 percent of total milk receipts, a decrease of 1.1 percentage points from December.
- The average butterfat test of producer receipts was 3.90 percent.
- The average true protein test of producer receipts was 3.12 percent.
- The average other solids test of producer receipts was 5.73 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	35.9	796,537,797
Class II	22.1	490,750,436
Class III	23.1	512,080,352
Class IV	18.9	419,987,789
Total Pooled Milk		2,219,356,374

Producer Component Prices

	2015	2014
	\$/lb	
Protein Price	2.6731	4.1870
Butterfat Price	1.6855	1.7874
Other Solids Price	0.4001	0.4155

Class Price Factors

	2015	2014
	\$/cwt	
Class I	21.83	24.73
Class II	16.18	22.21
Class III	16.18	21.15
Class IV	13.23	22.29

Market Services 2014 Summary

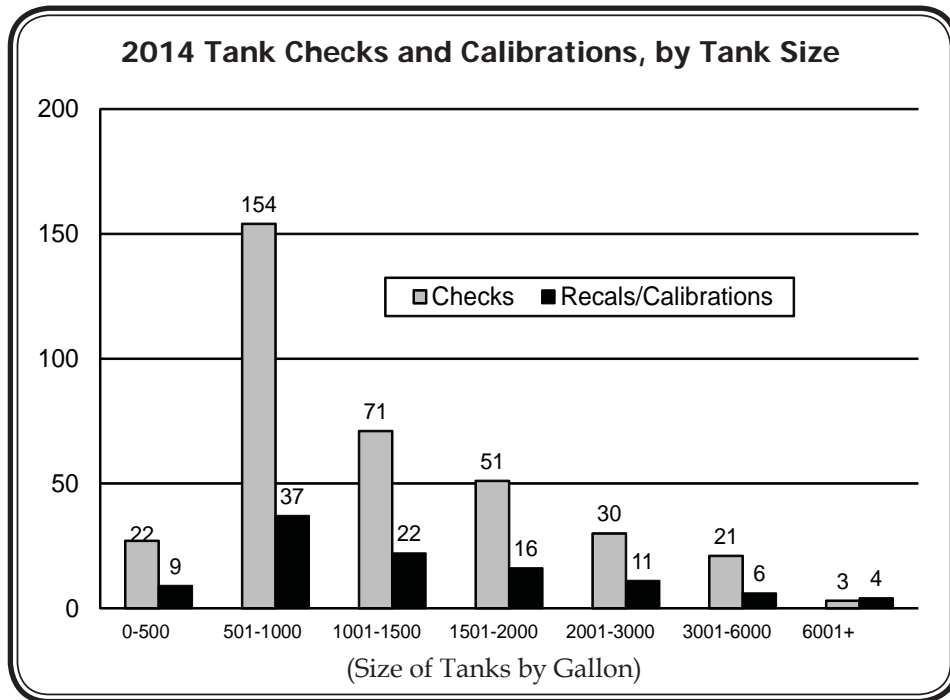
The Market Administrator (MA) verifies or establishes weights, samples and tests producer milk, and provides market information for producers who are not receiving such services from a cooperative association.

Calibration Program

One aspect of the Market Administrator's market service program is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing calibration services, the two trucks combined covered 23,732 miles in 2014. The market service department checked 290 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2014 season. Briefly, a tank check involves measuring the tank at about four or five different levels as opposed to performing a complete calibration, which involves checking the tank at each increment on the dipstick. The levels that a tank is checked at vary depending on the tank size and a farm's production range. If the tank proves to be out of tolerance when checked, the tank is then recalibrated. Depending on scheduling, recalibrations may be performed the same day or may be rescheduled for another day.

Checks/Calibration Results

Of the 290 tanks checked, 16 (5.5 percent) were out of



tolerance and were recalibrated. Of the tanks requiring recalibration, there was an almost even split between tanks that were over measuring and under measuring the amount of milk. An additional 95 calibrations were performed for other reasons that did not involve an initial check, such as a tank being installed, a tank being moved, or a special request. Of the tanks that were recalibrated or calibrated, 62 percent were 1,500 gallon tanks or smaller. The 290 checks and the 95 additional calibrations total at least 385 farm visits. A breakdown of checks and calibrations/recalibrations by tank size are shown in the accompanying chart. Also, a table shows a tentative schedule for the calibration trucks during the upcoming season. ❖

Class IV Utilization Impact

Historically, Class IV was considered a balancing class; milk ended up there that was not needed for use in the typically higher-valued classes – Class I: fluid milk; Class II: “soft” manufactured products (ice cream, yogurt, baking and prepared foods, ricotta and cottage cheese, and creams); or Class III: “harder” cheeses (American, Italian, Swiss, cream). Some milk would always be in Class IV to meet contracts for butter and nonfat dried milk, but it was where the surplus milk generally converted into nonfat dry milk would be priced.

Changes in Utilization Percentages

Over the past year, Class IV utilization in the Northeast Order has increased 23.2 percent from the previous year. (continued on page 3)

Tentative Calibration Truck Schedule, 2015

Month	Area
April	Southern Pennsylvania Central New York/Northern New York
May	Western New York and/or Fingerlakes Region, NY Vermont and New Hampshire
June	Central Pennsylvania/Southern Pennsylvania Eastern New York
July	Southern Pennsylvania Central New York/Northern Pennsylvania
August	Western New York and/or Fingerlakes Region, NY Eastern New York/Western Connecticut
September	Central Pennsylvania Maine/Eastern Connecticut/Massachusetts
October	Southern Pennsylvania Central New York
November	Western New York and/or Fingerlakes Region, NY Central Pennsylvania/Southern Pennsylvania

Class IV (continued from page 2)

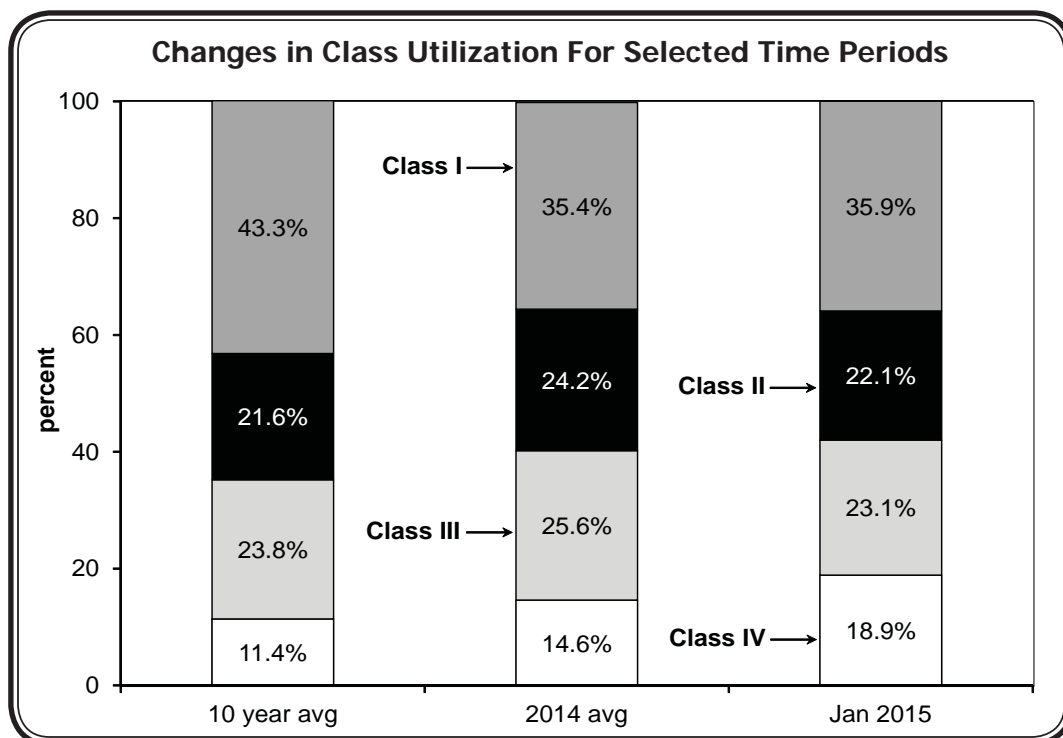
When compared to the average from the past 10 years (2004-2013), it has grown 31.8 percent. Significant increases have occurred mainly in the dried milk products category, which largely is made up of nonfat dried milk, but also includes the newer value-added powders that are increasingly in demand as a source of protein by food manufacturers. So, while Class IV utilization on the Order is still largely a reflection of overall supply and demand conditions in the market, a portion of this demand represents consistent and growing production of specialty milk powders manufactured by plants in the region.

The accompanying chart shows class utilizations for three time periods: the 10-year average (2004 to 2013), the 2014 annual average, and the month of January 2015, which is typically an average volume month, but was record-setting this year. As depicted in the chart, Class IV has increased while Class III and, most notably, Class I have shrunk.

Effect on Price

As mentioned above, since the Class IV price tends to be either the lowest or next-lowest price each month, a higher

volume of milk utilized in this class will pull the statistical uniform (blend) price downward. If the average class utilizations for the 10-year period (2004-2013) had been in place instead of the 2014 average utilizations, with the average class prices for 2014, the result would have been a 31-cent higher statistical uniform price (SUP). Likewise, using the 10-year average utilization percentages for the month of January, with the January class prices, a 64-cent higher SUP would have resulted. ❖



Pool Summary for All Federal Orders, January–December, 2013–2014

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2013	2014	Change	2013	2014	2013	2014
		pounds			dollars per hundredweight			
1	Northeast	25,419,908,532	25,792,969,786	1.5	2.26	1.94	20.25	24.28
5	Appalachian	5,728,582,760	5,593,496,667	(2.4)	N/A	N/A	21.37	25.62
6	Florida	2,833,279,789	2,771,209,577	(2.2)	N/A	N/A	23.53	27.84
7	Southeast	6,129,314,033	5,288,969,005	(13.7)	N/A	N/A	21.78	26.21
30	Upper Midwest	34,315,086,523	32,785,024,973	(4.5)	0.31	0.24	18.30	22.58
32	Central	15,199,122,243	15,062,651,701	(0.9)	0.83	0.57	18.82	22.91
33	Mideast	16,719,120,120	17,297,061,662	3.5	1.21	0.82	19.20	23.16
124	Pacific Northwest	8,239,346,735	7,891,609,288	(4.2)	0.85	0.31	18.84	22.66
126	Southwest	12,901,022,097	12,137,191,892	(5.9)	1.64	1.35	19.63	23.69
131	Arizona	4,615,376,352	4,800,450,180	4.0	N/A	N/A	19.44	23.25
All Market Total/Average		132,100,159,184	129,420,634,731	(2.0)	1.18	0.87	20.12	24.22

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.



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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	780,920,101	\$14.60	114,014,334.75	
Butterfat	15,617,696	2.2112	34,533,849.40	
Less: Location Adjustment to Handlers			(2,721,089.64)	\$145,827,094.56
Class II— Butterfat	29,159,226	1.6925	49,351,990.04	
Nonfat Solids	42,529,826	1.1811	50,231,977.46	99,583,967.50
Class III— Butterfat	24,133,808	1.6855	40,677,533.41	
Protein	15,943,200	2.6731	42,617,767.92	
Other Solids	29,099,777	0.4001	11,642,820.81	94,938,122.14
Class IV— Butterfat	17,626,349	1.6855	29,709,211.27	
Nonfat Solids	37,076,595	0.8439	31,288,938.51	60,998,149.78
Total Classified Value				\$401,347,333.98
Add: Overage—All Classes				52,376.67
Inventory Reclassification—All Classes				(244,643.78)
Other Source Receipts	3,756,548 Pounds			131,809.96
Total Pool Value				\$401,286,876.83
Less: Producer Component Valuations @ Class III Component Prices				(381,939,527.30)
Total PPD Value Before Adjustments				\$19,347,349.53
Add: Location Adjustment to Producers				11,896,889.88
One-half Unobligated Balance—Producer Settlement Fund				634,636.01
Less: Producer Settlement Fund—Reserve				(977,605.90)
Total Pool Milk & PPD Value	2,223,112,922 Producer pounds			\$30,901,269.52
Producer Price Differential		\$1.39		
Statistical Uniform Price		\$17.57		

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



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February Pool Price Calculation

The February 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.66 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 \$17.75 per hundredweight. The February statistical uniform price was 91 cents per hundredweight below the January price. The February producer price differential (PPD) at Suffolk County was \$1.20 per hundredweight, a decrease of 19 cents per hundredweight from last month.

Product Prices Effect

During February the commodity product price for butter increased 12 cents per pound and nonfat dry milk rose slightly. Commodity prices for cheese and dry whey declined. As a result, the butterfat and nonfat solids component prices increased and the protein and other solids prices decreased. These changes were reflected in lower class prices for all classes except Class IV that rose 59 cents per hundredweight due to the increase in butter, but was still the lowest of the classes. The Class III price was higher than the Class II price. The SUP dropped again with lower utilization in the highest-valued class and significant volume in the lowest-valued class.

Records Set

The total volume of producer milk receipts was the second highest ever for the month of February, and only the third time ever that total pounds for the month were over 2 billion. Daily deliveries per producer topped 6,000 pounds, the third time ever for the Order. Class I volume was the smallest ever for the Order, barely topping 700 million pounds. The Class II volume for February was the highest ever for the month and the first time ever over 500 million pounds; Class IV volume also set a record high for the month.

The average producer butterfat test in February was the highest on record since the Order's inception. The producer protein test set a record-high for the month of February, and the other solids test tied the record with 2012, and 2013, as the highest for the month. ❖

Pool Summary

- A total of 11,956 producers were pooled under the Order with an average daily delivery per producer of 6,022 pounds.
- Pooled milk receipts totaled 2.016 billion pounds, an increase of 0.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 34.8 percent of total milk receipts, a decrease of 1.1 percentage points from January.
- The average butterfat test of producer receipts was 3.91 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	34.8	700,778,977
Class II	25.1	505,969,670
Class III	22.7	457,310,129
Class IV	17.4	351,963,246
Total Pooled Milk		2,016,022,022

Producer Component Prices

	2015	2014
	\$/lb	
Protein Price	2.4051	4.6044
Butterfat Price	1.8296	2.0109
Other Solids Price	0.3273	0.4453

Class Price Factors

	2015	2014
	\$/cwt	
Class I	19.49	25.27
Class II	14.48	23.73
Class III	15.46	23.35
Class IV	13.82	23.46

U.S. Milk Production Increase Higher Than in Previous Years

Total milk production in the United States grew 2.4 percent in 2014, the highest rate since 2006. This compares to 0.3 percent in 2013.

The increase in the top ten milk-producing states combined matched the national average. The combined total for the top 23 milk-producing states, as reported by the National Agricultural Statistics Service (NASS), rose 1.6 percent. The accompanying table shows the top ten states ranked by their total 2014 production.

Top Producing States-Idaho Regains Number 3 Spot

The top ten list contained the same states as in 2013 although the order has changed. Idaho regained the number three spot from New York that held it until 2010 and had finished only 32 million pounds higher than Idaho in 2013. All the other states remained in the same positions as in 2013. The only top-ten state to show a decline was Minnesota, down a slight 0.1 percent. Texas had the largest increase, up 7.3 percent.

NASS revised the states included in their top 23 selected group. Missouri is no longer included and South Dakota, whose production has ranked in the top 23 since 2008, is now part of the reported group.

Northeast Below National Average

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling into the marketing area) increased 1.7 percent in 2014, less than the U.S. average, but slightly above the top 23 combined average. Combined production in the 3 top producing states in the milkshed (New York, Pennsylvania, and Vermont) also rose a 1.7 percent. Changes for New York and Pennsylvania are shown in the table; Vermont rose 2.3 percent. Only two of the states in the milkshed reported decreases, Maine and West Virginia. Connecticut, Delaware, and New Hampshire all reported increases above the national average.

Cow Numbers and Production per Cow

Nationally, the number of milk cows increased a slight 0.4 percent in 2014; in 2013, they decreased 0.1 percent. Eighteen states showed declining cow numbers, 14 states reporting increases, and the remainder had no change. Of those with increasing cow numbers, five were in the top ten states. In the Northeast milkshed states, milk cow

Top Ten States Ranked by Milk Production, 2014

Rank	State	2013 (million pounds)	2014	Percent Change	2014	
					Cows (1,000 head)	MPC* (pounds)
1	California	41,256	42,337	2.6	1,780	23,785
2	Wisconsin	27,572	27,795	0.8	1,271	21,869
3	Idaho	13,431	13,873	3.3	575	24,127
4	New York	13,463	13,733	2.0	615	22,330
5	Pennsylvania	10,552	10,683	1.2	530	20,157
6	Texas	9,610	10,310	7.3	463	22,268
7	Michigan	9,164	9,609	4.9	390	24,638
8	Minnesota	9,138	9,127	(0.1)	460	19,841
9	New Mexico	8,057	8,105	0.6	323	25,093
10	Washington	6,336	6,584	3.9	273	24,117
	Top Ten Total	148,579	152,156	2.4	6,680	22,778
	U.S. Total	201,231	206,046	2.4	9,257	22,258

Source: NASS, *Milk Production*

* Milk Produced per Cow

numbers declined a slight 0.1 percent. The combined total for New York, Pennsylvania, and Vermont was unchanged from 2013; Pennsylvania dropped 0.6 percent; Vermont decreased 1.5 percent; and New York increased 0.8 percent.

Average milk production per cow (MPC) grew 2.0 percent nationally; this follows an increase of 0.7 percent in 2013. For the Northeast, the increase was 1.8 percent. The U.S. average milk per cow was 22,258 pounds in 2014; the average was 20,905 pounds in the Northeast states. Though continuing to rise, milk per cow for the Northeast states continues to lag behind the national average. Only twelve states had MPC greater than the national average; seven of them are in the top ten and most are in the western part of the country. New York's MPC was above the national average. ❖

Market Outlook

Based on Chicago Mercantile Exchange (CME) futures prices that settled on March 13, 2014, for the Northeast Order at Boston, MA, the uniform price is forecast to average \$17.54 per hundredweight (cwt) for the year in 2015. Based on the same data, the 2015 Class I price is forecast to average \$19.69 per cwt. As the chart on page 3 shows, current expectations are that prices will improve during the second half of 2015, after reaching a bottom close to \$16.50 per cwt in early spring. Though the uniform price of milk is projecting to decline by about 28 percent from 2014, feed prices are expected to be below 2014 levels as well, for both corn and soybeans. CME (continued on page 3)

Market *(continued from page 2)*

futures–projected feed prices appear to be comparable to levels in 2009 and 2010, though the projected uniform prices project to average over \$4.50 per cwt higher than in 2009.

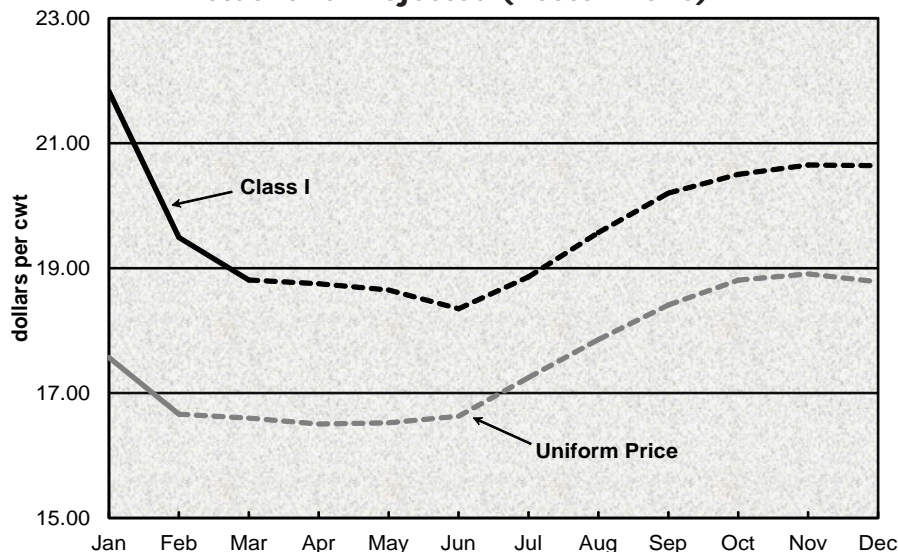
Exports

A year ago, a discussion in the March 2014 *Bulletin* referred to the role of exports, and the record portion of U.S. milk production that was being exported, on a solids basis. In 2013 and 2014, the U.S. exported about 15.5 percent of its milk production. With historically strong export volumes factoring into record high U.S. milk prices, it begged the question of what the impact would be if export volumes retreated to any sizeable degree. The U.S. Dairy Export Council's (USDEC) January 2015 data show that U.S. exports as a percent of production reached just 11.2 percent. The USDEC stated that exports of virtually every major product lagged year-ago levels. One global dairy strategist summed up the current situation by claiming that low prices were required to help clear a market still dealing with exceptionally strong supply growth, a rising U.S. dollar, a weak economic environment and reduced buying from China and Russia.

Domestic Demand

The Restaurant Performance Index (RPI) at 102.7 in January, marked the fourth straight month above 102 for the index often used to gauge outlook for domestic dairy product demand. The Current Situation portion of the RPI was above 100, the level indicating expansion in current situation indicators, for the eleventh straight month. The

2015 Uniform and Class I Price, Actual and Projected (Boston Zone)



Conference Board Consumer Confidence Index was down in February to 96.4, from 103.8 in January. In spite of the month-to-month decline, the level is still above prerecession levels in 2007. The U.S. Gross Domestic product is predicted to grow at 3.3 percent in 2015, higher than the 2.4 percent increase in 2014. Based on the various indicators of demand, the domestic portion of the dairy demand equation looks to remain strong.

Supply

The March USDA World Agricultural Supply and Demand Estimates Report lowered its 2015 milk production forecast, predicting that slower growth in output per cow will more than offset increased herd expansion. Earlier, USDA was forecasting 2015 milk production to increase 2.8 percent and have now reduced that to 2.6 percent. ❖

Production Records for Class Action Settlement

The Northeast Market Administrator's office has completed the process of compiling and distributing to handlers milk production records for eligible dairy farms intending to submit a claim under the Dairy Farmers of America, Inc. (DFA) and Dairy Marketing Services, LLC (DMS) class action case (in the case of Allen et al v. Dairy Farmers of America, et al. No. 5:09-cv-230 – U.S. District Court for the District of Vermont). While the Northeast Market Administrator's office has no legal interest, involvement, or role in this case, the office previously agreed to provide handlers with individual producer production summaries for the period January 1, 2002, to December 31, 2014. Files sent to handlers

reflect the production for the entire period, regardless if the producer had multiple handlers during the period, and were sent to producers' current handlers as of the month of December 2014. Retired eligible producers may contact the Northeast Market Administrator directly to obtain their production history.

Once producers receive their production histories, they still must submit a claim under the class action case. To obtain a claim form or for additional questions contact the settlement administrator directly at 1-855-460-1533 or visit the settlement website: www.NortheastDairyClass.com. The deadline for filing a claim is May 30, 2015. ❖



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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	686,860,517	\$14.01	96,229,158.43	
Butterfat	13,918,460	1.7044	23,722,623.22	
Less: Location Adjustment to Handlers			(2,417,200.13)	\$117,534,581.51
Class II— Butterfat	28,183,997	1.8366	51,762,728.85	
Nonfat Solids	44,108,864	0.9267	40,875,684.26	92,638,413.11
Class III— Butterfat	21,744,843	1.8296	39,784,364.78	
Protein	14,255,267	2.4051	34,285,342.67	
Other Solids	26,002,675	0.3273	8,510,675.53	82,580,382.98
Class IV— Butterfat	14,959,232	1.8296	27,369,410.86	
Nonfat Solids	31,112,973	0.8544	26,582,924.14	53,952,335.00
Total Classified Value				\$346,705,712.60
Add: Overage—All Classes				41,254.58
Inventory Reclassification—All Classes				259,438.06
Other Source Receipts	183,619 Pounds			8,024.15
Total Pool Value				\$347,014,429.39
Less: Producer Component Valuations @ Class III Component Prices				(333,658,992.32)
Total PPD Value Before Adjustments				\$13,355,437.07
Add: Location Adjustment to Producers				10,804,802.85
One-half Unobligated Balance—Producer Settlement Fund				842,691.54
Less: Producer Settlement Fund—Reserve				(808,463.78)
Total Pool Milk & PPD Value	2,016,205,641 Producer pounds			\$24,194,467.68
Producer Price Differential		\$1.20		
Statistical Uniform Price		\$16.66		

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

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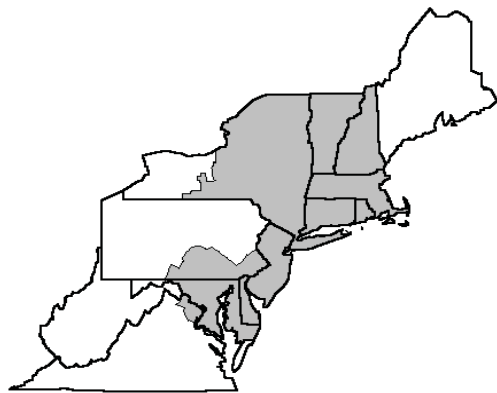
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Boston, MA: phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; Albany, NY: phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; Alexandria, VA: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; website address: www.fmmone.com

March Pool Price Calculation

The March 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.40 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 \$17.35 per hundredweight. The March statistical uniform price was 26 cents per hundredweight below the February price. The March producer price differential (PPD) at Suffolk County was \$0.84 per hundredweight, a decrease of 36 cents per hundredweight from last month.

Product Prices Effect

During March, slight changes occurred in commodity product prices: increases in cheese and butter, decreases in nonfat dry milk and dry whey. The price for dry whey declined only 3 cents, but it was the lowest price since April 2011. As a result of these changes, there was a small increase in the butterfat component price and slight decreases in the nonfat solids and other solids prices. The protein component price rose over 8 cents per pound, but was still \$2.00 below the price during March 2014. The Class I price, set in advance, dropped 68 cents per hundredweight; the other class prices changed little from the previous month. The Class II price rose 2 cents, Class III was up 10 cents, and Class IV decreased 2 cents. As in February, the Class III price was higher than the Class II price. Similar to last month, the SUP dropped with lower utilization in the highest-valued class and significant volume in the lowest-valued class. It was the lowest price since May 2010.

Records Set

The total volume of producer milk receipts was the third highest ever for the month of March. Daily deliveries per producer averaged 6,047 pounds, the second highest ever for the Order. Class I volume was the smallest ever for the month while the Class IV volume was the highest ever for March, topping 400 million pounds for only the second time since the Order's inception. The Class II volume for March was the second highest ever for the month. The average producer butterfat test in March set a new record for the month. ❖

Pool Summary

- A total of 11,955 producers were pooled under the Order with an average daily delivery per producer of 6,047 pounds.
- Pooled milk receipts totaled 2.241 billion pounds, an increase of 0.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 34.3 percent of total milk receipts, a decrease of 0.5 percentage points from February.
- The average butterfat test of producer receipts was 3.87 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	34.3	769,769,072
Class II	24.6	551,027,913
Class III	23.2	518,842,200
Class IV	17.9	401,430,263
Total Pooled Milk		2,241,069,448

Producer Component Prices

	2015	2014
	\$/lb	
Protein Price	2.4875	4.5172
Butterfat Price	1.8444	2.0402
Other Solids Price	0.2918	0.4700

Class Price Factors

	2015	2014
	\$/cwt	
Class I	18.81	26.89
Class II	14.50	24.22
Class III	15.56	23.33
Class IV	13.80	23.66

Top Producing Counties—Northeast Milkshed

In 2014, the top ten counties in terms of milk pooled on the Northeast Order accounted for 33.6 percent of all milk pooled during the year. Since the Order's inception in 2000, this proportion has ranged from 28.6 to 33.1 percent through 2008. It has held nearly constant since 2009, dropping down only in 2010 to 33.2 percent. Pooled milk receipts do not necessarily account for all milk produced in a county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures. The accompanying table shows the top ten ranked counties for 2014 based on their volume pooled on the Order.

Top Ten Counties Pooling on the Northeast Order, 2014

Rank	County	State	Volume Pooled on Order (million lbs)	Number of Farms	DDP
1	Lancaster	PA	2,302.5	1,681	3,753
2	Cayuga	NY	943.4	101	25,592
3	Franklin	VT	776.2	176	12,083
4	St. Lawrence	NY	743.5	331	6,154
5	Addison	VT	711.1	118	16,511
6	Franklin	PA	702.5	303	6,352
7	Wyoming	NY	700.6	118	16,265
8	Jefferson	NY	675.1	195	9,485
9	Onondaga	NY	557.7	82	18,635
10	Lebanon	PA	549.2	247	6,092
Top Ten Total			8,661.9	3,352	7,080
Total Pooled on Order			25,783.8	11,702	6,037
Top Ten Proportion (%)			33.6	28.6	

Source: Northeast Order audited producer payroll reports.

Change in Rankings Over the Years

Since the Northeast Order's inception, Lancaster County, PA, has led all counties, accounting for 8.9 percent of total milk pooled on the Order in 2014 (up slightly from 8.8 percent in 2013). Lancaster's pooled production consistently has been 2.4 to 3.0 times the level of the second-ranked county. In 2014, Cayuga County, NY, ranked second, the same position it has held since 2009.

Position changes that occurred in 2014 include Franklin County, VT, grabbing the number three spot from the other Franklin County (PA), which had held the number two position from 2000 to 2005 and again in 2007 and 2008; it ranked number three in 2006 and in 2009-2013. Franklin County, VT, was number three from 2000-2005, and in 2007; it ranked number two in 2006, and number four in 2008-2013. St. Lawrence County, NY, moved up to number four in 2014; it had been number five for the past five years and ranged from number 5 to 7 over the years. Addison County, VT, rose to the fifth position from number 7 in 2013; it has ranked as high as number four over the years. Lebanon County, PA, regained a spot in the top ten, bumping out Lewis County, NY; Lebanon had not been included in the list since 2011.

Proportion of Farms and DDP

Overall, the top ten counties accounted for 28.6 percent of all farms shipping to handlers regulated on the Northeast Order in 2014. Lancaster County, alone, accounted for 14.4 percent of all farms on the Order. Of the top ten producing counties, Onondaga had the least number of farms, only 82 (0.7 percent of all farms), but

it accounted for 2.2 percent of the total volume of milk and had the sixth highest average daily deliveries per producer (DDP) of the milkshed.

The top ten counties combined average DDP equaled 7,080 pounds in 2014. This was down from 7,169 in 2013, but the county make up was different causing a slightly lower producer count in 2013. Overall, DDP has continued to climb; the 2014 average was 81 percent higher than in 2000 and 28 percent higher than five years ago.

Cayuga reported the highest average DDP in 2014 with 25,592 pounds, up from 24,931 in 2013 and 7,751 in 2000. As mentioned above, Onondaga had the sixth highest DDP of the milkshed and the second highest of the top-ten counties with 18,635 pounds. Both Addison and Wyoming counties reported DDP over 16,000 pounds while Lancaster had the lowest of the top ten with 3,753 pounds. The average for all producers shipping on the Order during 2014 was 6,037 pounds, up from 5,844 in 2013 and 3,788 in 2000. ❖

First Quarter Utilization Changes

Producer milk receipts set a new record during 2014, finishing 1.5 percent above the previous record set the year before. The first quarter of 2015 continues to be strong with the 3 month total volume up 2.1 percent compared to the same period in 2014. Some trends continue, such as the constant decline in Class I utilization, but milk used in (continued on page 3)

First Quarter *(continued from page 2)*

other classes, primarily Class IV has grown considerably. The accompanying table compares class and total volumes for the first quarter of 2014 and 2015.

Increases in Production

As historically has occurred, strong prices encourage expansion and increased milk production. The increase in total milk receipts on the Northeast Order, even with the continual decline in producer numbers, is proof of this. Based on farm-by-size data, smaller farms have left the industry while the mid-range farms have grown. Average daily deliveries per producer (DDP) data also reinforces this theory. DDP for the Northeast Order has increased every year since 2004. For the past 2 months, DDP was over 6,000 pounds.

Where is it Utilized?

Class I volume continues to erode. Each month since November 2012, the volume used in Class I has been below the same month of the previous year. For the past 3 years, the annual average decline has been a consistent 3 percent; for 2014, it was 4 percent. With declining fluid use, the milk has found new uses: Class II has absorbed a considerable amount to be used in yogurt. A 5 percent decline did occur in 2014, following 5 straight years of increases, but the first quarter of 2015 has seen an increase of 0.4 percent with the February and March combined total being 4.0 percent greater than the same months in 2014. Class III has not experienced the large swings in volume as seen in Classes II and IV, nor the consistent declines like Class I.

The biggest change, undoubtedly, has been in Class IV usage. As discussed in the October 2014 *Bulletin*, there

Northeast Order Pooled Milk Receipts

Class	January–March		Yr-to-Yr
	2014	2015	Change
	(million pounds)		(percent)
I	2,322.4	2,267.1	(2.4)
II	1,540.8	1,547.7	0.4
III	1,675.7	1,488.2	(11.2)
IV	803.8	1,173.4	46.0
Total	6,342.7	6,476.4	2.1

has been a significant increase in dried milk products. The 2014 year ended with a 30.5 percent jump in overall Class IV utilization. The total volume for the first 3 months of 2015 was 46 percent above the same period in 2014. With no projected decline in milk production in the Northeast in the near future, the high volume utilized in Class IV also is expected to continue.

Effect of Prices

Prices for the commodities used to calculate federal order prices have dropped considerably since the end of 2014. Butter prices are down 7 percent for the first quarter, but still above 2013. Cheese prices are 29 percent below the same period in 2014, while dry whey is down 16 percent. Nonfat dry milk prices for the first quarter are 50 percent below last year and the lowest prices since 2009. These commodity prices have translated into 30 percent lower blend prices for the January-March period. Lower prices typically affect milk production, but as mentioned above, there is no immediate slow down predicted in Northeast milk production. ❖

Pool Summary for All Federal Orders, January–March, 2014–2015

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2014	2015	Change	2014	2015	2014	2015
		pounds			percent	dollars per hundredweight		
1	Northeast	6,342,707,932	6,476,447,844	2.1	1.50	1.14	24.11	16.88
5	Appalachian	1,419,468,103	1,419,849,518	0.0	N/A	N/A	25.23	18.59
6	Florida	736,454,411	716,651,934	(2.7)	N/A	N/A	27.20	20.99
7	Southeast	1,389,447,793	1,350,338,120	(2.8)	N/A	N/A	25.71	19.31
30	Upper Midwest	7,973,841,683	8,663,443,981	8.6	0.15	0.15	22.76	15.89
32	Central	3,788,135,447	3,986,729,830	5.2	0.20	0.20	22.81	15.94
33	Mideast	4,066,965,501	4,819,453,425	18.5	0.46	0.26	23.07	15.99
124	Pacific Northwest	1,921,221,641	1,535,576,348	(20.1)	0.27	(0.31)	22.88	15.42
126	Southwest	2,984,481,193	3,340,178,426	11.9	1.04	1.08	23.65	16.81
131	Arizona	1,258,353,603	1,228,972,637	(2.3)	N/A	N/A	23.51	15.64
All Market Total/Average		31,881,077,307	33,537,642,063	5.2	0.60	0.42	24.09	17.15

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.



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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	754,995,598	\$12.84	96,941,434.78	
Butterfat	14,773,474	1.8333	27,084,209.88	
Less: Location Adjustment to Handlers			(2,675,756.74)	\$121,349,887.92
Class II— Butterfat	33,114,028	1.8514	61,307,311.43	
Nonfat Solids	47,606,297	0.9233	43,954,894.04	105,262,205.47
Class III— Butterfat	24,227,679	1.8444	44,685,531.14	
Protein	16,041,977	2.4875	39,904,417.82	
Other Solids	29,490,876	0.2918	8,605,437.63	93,195,386.59
Class IV— Butterfat	14,577,122	1.8444	26,886,043.81	
Nonfat Solids	35,537,359	0.8454	30,043,283.28	56,929,327.09
Total Classified Value				\$376,736,807.07
Add: Overage—All Classes				35,045.44
Inventory Reclassification—All Classes				92,353.28
Other Source Receipts	168,631 Pounds			5,328.74
Total Pool Value				\$376,869,534.53
Less: Producer Component Valuations @ Class III Component Prices				(369,999,926.29)
Total PPD Value Before Adjustments				\$6,869,608.24
Add: Location Adjustment to Producers				12,013,182.90
One-half Unobligated Balance—Producer Settlement Fund				856,921.94
Less: Producer Settlement Fund—Reserve				(913,313.26)
Total Pool Milk & PPD Value	2,241,238,079 Producer pounds			\$18,826,399.82
Producer Price Differential		\$0.84		
Statistical Uniform Price		\$16.40		

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

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

April 2015

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

April Pool Price Calculation

The April 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.51 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 \$17.20 per hundredweight. The April statistical uniform price was 11 cents per hundredweight above the March price. The April producer price differential (PPD) at Suffolk County was \$0.70 per hundredweight, a decrease of 14 cents per hundredweight from last month.

Product Prices Effect

Similar to March, commodity prices during April increased for cheese and butter, while nonfat dry milk and dry whey decreased. The changes were more significant than last month; the price for nonfat dry milk was the lowest since September 2009. The result of these changes equated to nearly a 5-cent per pound increase in the butterfat price and 7-cent increase in protein. The nonfat solids price dropped 5 cents and other solids decreased 2 cents per pound.

The Class I price, set in advance, dropped 6 cents per hundredweight; the other classes had greater changes. The Class II price rose 48 cents, Class III was up 25 cents, and Class IV decreased 29 cents. Class III remained above both Class II and Class IV. With the greater changes in the class prices, the SUP rose slightly from last month. The tighter spread between class prices resulted in a lower PPD.

Records Set

The total volume of producer milk receipts was the second highest ever for the month of April. Daily deliveries per producer averaged 6,202 pounds, the highest ever for the Order. Class I volume was the smallest ever for the month while the Class II volume was the second highest ever for April. The Class IV was the largest ever for the Order.

The average producer butterfat test in April set a new record for the month. ❖

Pool Summary

- A total of 11,848 producers were pooled under the Order with an average daily delivery per producer of 6,202 pounds.
- Pooled milk receipts totaled 2.204 billion pounds, an increase of 1.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 32.8 percent of total milk receipts, a decrease of 1.5 percentage points from March.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	32.8	723,128,489
Class II	23.7	522,381,988
Class III	23.7	521,536,659
Class IV	19.8	437,405,945
Total Pooled Milk		2,204,453,081

Producer Component Prices

	2015	2014
	\$/lb	
Protein Price	2.5551	4.7089
Butterfat Price	1.8940	2.1207
Other Solids Price	0.2698	0.4926

Class Price Factors

	2015	2014
	\$/cwt	
Class I	18.75	26.90
Class II	14.98	24.74
Class III	15.81	24.31
Class IV	13.51	23.34

Organic Producer Counts and Components

The total milk volume pooled on the Northeast Order includes organic milk, in addition to what might be referred to as “regular” or “conventional” milk. In December 2014, approximately 55 million pounds of organic milk was pooled on the Northeast Order. That equates to roughly 2.5 percent of the total pool.

Organic Producer Counts

Based on payroll data, the number of organic producers pooled on the Order declined somewhat from 1,008 in 2010 to 933 in 2014 (see Table 1). This does not necessarily imply a reduction in the number of organic dairy producers, just fewer whose milk was delivered to plants in the Northeast and pooled on the Order. The years from 2010 through 2014 do include a period of time when there was an abundance of organic milk relative to the market demand (a dynamic that seems to have reversed more recently) as well as a period when conventional milk prices were returning all-time record highs. Table 1 also shows the location of organic producers pooling on the Order by state.

Average Organic Component Tests

Conventional dairying generally is associated with high levels of grain feeding and use of cow breeds that produce high milk volumes, while organic dairying often is associated with pasture and forage feeding and use of mixed breeds. The dairy management practices of an organic or conventional operation with respect to feed and breed and other factors may impact resulting herd tests for milk components such as butterfat and protein.

Table 1

Organic Producers by State/Area

State/Area	2010	2011	2012	2013	2014
ME	65	56	54	49	51
NY	353	356	361	354	341
PA	267	254	265	255	249
VT	160	156	148	142	132
Other Northeast*	20	21	20	18	19
IN	33	33	27	44	37
MI	29	29	29	28	15
OH	75	97	94	94	89
Other Outside Northeast**	6	2	0	0	0
Total	1,008	1,004	998	984	933

* CT, DE, MA, MD, NH, NJ, RI, VA, and WV. ** KY, MN, NC, and WI.

Table 2

Annual Average Component Tests by Milk Type

Milk Type	Average Butterfat Test					
	2010	2011	2012	2013	2014	2010-2014
Conventional	3.69	3.72	3.72	3.76	3.77	3.73
Organic	3.75	3.92	3.91	3.95	4.00	3.91

Milk Type	Average Protein Test					
	2010	2011	2012	2013	2014	2010-2014
Conventional	3.05	3.06	3.05	3.08	3.07	3.06
Organic	2.92	3.07	3.08	3.10	3.09	3.05

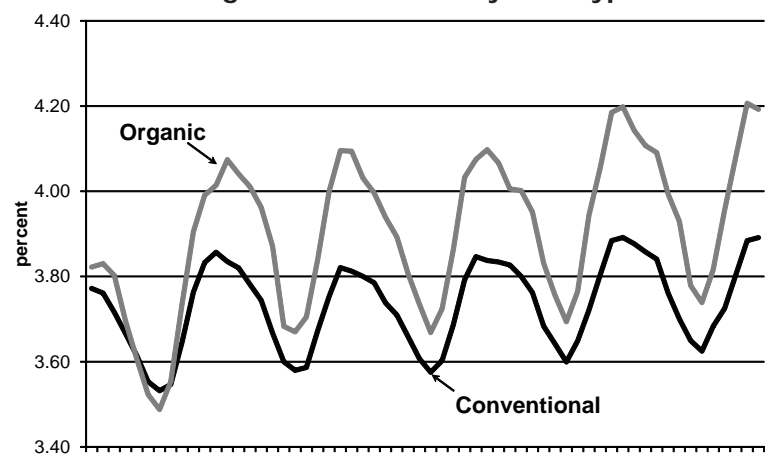
Using Northeast Order producer payroll data, and analyzing results based on whether a producer in these data are identified as ‘organic’ or ‘not organic’, we can look at how component tests levels for butterfat and protein differ. These data do not allow us to make any conclusions with regard to specific feed, breed, health, and genetic practices between the two industries, but simply a comparison of component levels by milk type.

Based on the data from 2010 through 2014, the average butterfat test for organically produced milk pooled on the order was about 0.18 percentage points higher than conventionally produced milk pooled (Table 2). There was almost no difference between protein levels for this time period as conventional milk averaged just 0.01 percentage points higher than organic. Looking at just 2011 forward, organically produced milk averaged 0.02 percentage points higher than conventional. Charts 1 presents average butterfat tests from 2010 through 2014, by month. The chart shows a greater degree of range between high and low tests in a year’s milk production cycle. Protein tests (not shown) follow a similar pattern.

(continued on page 3)

Chart 1

Average Butterfat Tests by Milk Type



Organic Counts *(continued from page 2)*

Daily Output per Producer

Table 3 presents differences in the daily average output of producer milk per farm for the month of December, from 2010 through 2014. The table shows that conventional farms produce from 200 to 250 percent more milk per day than organic farms. Since 2010, conventional farms' production per day has increased 21 percent, while organic production per day increased by 9 percent. ❖

Table 3

Daily Average Output of Producer Milk Per Farm, December

Milk	2010	2011	2012	2013	2014
Organic	1,743	1,682	1,750	1,809	1,901
Conventional	5,225	5,353	6,146	6,136	6,340
Total	4,963	5,066	5,782	5,778	5,988

Organic Sales Continue to Grow

As we have discussed in previous issues, total sales of fluid milk products in the Northeast Marketing Area continue to decline. The decrease in total fluid sales for the past 3 years from handlers pooled on the Northeast Order has been fairly consistent: 2.6 percent in 2012, 2.5 percent in 2013, and 2.4 percent in 2014. However, a subset of total fluid milk products is the category of organic milk, which has risen considerably. Sales of organic products in the marketing area from these same handlers have grown nearly every year since the Order began collecting data (late 2005). On average, organic sales have increased 8.8 percent annually; the increase was 9.4 percent in 2014.

The accompanying table shows organic sales by type of handler and product for the years 2010, 2013, and 2014. In addition to the pool handler sales mentioned above, the table includes sales from non-regulated handlers – these are handlers regulated by other federal orders, handlers who are partially regulated by Order 1, producer-handlers and exempt distributors.

By Handler

As the table shows, organic sales in the marketing area have jumped 27 percent since 2010; between 2013 and 2014, sales rose 10.3 percent. Sales by regulated pool handlers have increased 16.3 percent from 2010 to 2014; their increase is 9.5 percent from 2013. The difference has come from handlers not regulated by Order 1; these sales grew 67.5 percent from 2010 to 2014 and 12.7 percent from 2013 to 2014.

By Type

Of the organic sales in the marketing area, reduced fat products

accounted for two-thirds of total organic sales in 2014. These include reduced fat (2%), low fat (1%), fat free (skim), and flavored reduced/lower fat products. This proportion has declined somewhat over the years. In 2010, reduced fat products accounted for 73 percent; in 2013, the proportion was 70 percent. Organic whole and flavored milk account for the difference.

Sales Moving Out of the Area

Sales of organic products moving out of the area have varied somewhat over the years. During 2010, the total volume moving out of the marketing area equaled 148.8 million pounds. This means the product was processed by plants located in the Northeast area but sold to regions located outside of the Northeast area. Of this, 100 million went to other federal order areas, the remainder to non-regulated areas. In 2013, the volume rose to 187.5 million pounds with 102 million to other federal orders. In 2014, the volume declined to 154 million pounds; other order sales accounted for 111.7 million pounds. Changes in these sales may be due to changes in account suppliers being regulated by Order 1 or non-order. For sales going out of the marketing area, reduced fat products account for a higher proportion: 82 percent in 2010, 83 percent in 2013, and 76 percent in 2014. ❖

Organic Sales in the Northeast Marketing Area by Type of Handler

Type of Handler	2010			2013			2014		
	Whole	Reduced*	Total	Whole	Reduced*	Total	Whole	Reduced*	Total
million pounds									
Regulated Pool	91.4	238.5	329.9	106.5	244.1	350.5	127.5	256.2	383.8
Non-Regulated**	22.5	65.0	87.6	38.2	92.0	130.2	47.8	98.9	146.7
Total Sales	113.9	303.6	417.5	144.6	336.0	480.7	175.3	355.1	530.4

* Includes reduced fat, low fat, fat free, and flavored lower-fat products.

** Includes handlers regulated by Other Federal Orders, Partially Regulated Handlers, Producer-Handlers, and Exempt Distributors.



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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	709,095,740	\$12.62	89,487,882.39	
Butterfat	14,032,749	1.8767	26,335,260.05	
Less: Location Adjustment to Handlers			(2,525,012.55)	\$113,298,129.85
Class II— Butterfat	31,327,097	1.9010	59,552,811.45	
Nonfat Solids	44,917,140	0.9589	43,071,045.56	102,623,857.01
Class III— Butterfat	22,561,519	1.8940	42,731,516.97	
Protein	15,922,944	2.5551	40,684,714.23	
Other Solids	29,798,884	0.2698	8,039,738.91	91,455,970.11
Class IV— Butterfat	15,447,977	1.8940	29,258,468.43	
Nonfat Solids	38,553,855	0.7926	30,557,785.47	59,816,253.90
Total Classified Value				\$367,194,210.87
Add: Overage—All Classes				64,011.25
Inventory Reclassification—All Classes				119,671.57
Other Source Receipts	208,263 Pounds			6,669.21
Total Pool Value				\$367,384,562.90
Less: Producer Component Valuations @ Class III Component Prices				(363,778,433.67)
Total PPD Value Before Adjustments				\$3,606,129.23
Add: Location Adjustment to Producers				11,951,354.49
One-half Unobligated Balance—Producer Settlement Fund				781,650.93
Less: Producer Settlement Fund—Reserve				(906,505.16)
Total Pool Milk & PPD Value	2,204,661,344 Producer pounds			\$15,432,629.49
Producer Price Differential		\$0.70		
Statistical Uniform Price		\$16.51		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

May 2015

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

May Pool Price Calculation

The May 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.82 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 \$17.27 per hundredweight. The May statistical uniform price was 31 cents per hundredweight above the April price. The May producer price differential (PPD) at Suffolk County was \$0.63 per hundredweight, a decrease of 7 cents per hundredweight from last month.

Product Prices Effect

For the third month in a row, commodity prices increased from the previous month for cheese and butter, while nonfat dry milk and dry whey decreased. Butter jumped nearly 14 cents and cheese rose over 4 cents per pound. Nonfat dry milk and dry whey each dropped about 2 cents per pound. These changes resulted in similar movements in the component prices for other solids and nonfat solids. The butterfat price rose almost 17 cents per pound, but the protein price that incorporates the butterfat price, decline 3 cents per pound.

Class price changes were minimal: the Class I price rose 33 cents, Class II dropped 17 cents, Class III was up 38 cents and Class IV increased 40 cents, all on a per hundredweight basis. The changes resulted in a slightly higher SUP but a lower PPD due to the tightening of the spread between classes. Class III remained above both Class II and Class IV.

Depooling Occurred

Some milk was depooled during the month of May, but not enough to affect the SUP. Handlers with milk utilization in Classes II, III, or IV may elect to "depool", or remove, a specified volume of milk from the order pool if the respective class price exceeds the adjusted SUP for the month. If such volume remained as part of the pool, the pooling handler would incur a pool payment on the respective volume of milk, similar to pool payments incurred on Class I milk.

(continued on page 3)

Pool Summary

- A total of 11,399 producers were pooled under the Order with an average daily delivery per producer of 6,374 pounds.
- Pooled milk receipts totaled 2.252 billion pounds, a decrease of 1.1 percent from last month on an average daily basis, not adjusting for depooled milk in May.
- Class I usage (bottling) accounted for 32.5 percent of total milk receipts, down 0.3 percentage points from April.
- The average butterfat test of producer receipts was 3.70 percent.
- The average true protein test of producer receipts was 3.00 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	32.5	731,894,885
Class II	24.9	561,942,292
Class III	21.6	485,466,928
Class IV	21.0	472,947,540
Total Pooled Milk		2,252,251,645

Producer Component Prices

	2015	2014
	\$/lb	
Protein Price	2.5206	3.9553
Butterfat Price	2.0599	2.2721
Other Solids Price	0.2533	0.4897

Class Price Factors

	2015	2014
	\$/cwt	
Class I	19.08	27.72
Class II	14.81	24.44
Class III	16.19	22.57
Class IV	13.91	22.65

Manufactured Dairy Products—2014 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2014 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table highlights selected products' changes from 2013 and 2009, and a comparison of Northeast Order milk used in the manufacture of these products.

Cheese Production

Nationally, total cheese production (excluding cottage cheese) was up 3.7 percent from 2013 and 13.7 percent from 2009. Similar increases were seen in all categories:

American, Italian, cream and Neufchatel, and other cheese that includes Swiss, Hispanic, Muenster, feta, and other varieties.

In the Northeast Order, milk used in 2014 cheese production (excluding cottage) increased 2.8 percent from 2013 and 17.6 percent from 2009. Increases similar to the national trends occurred in all categories except other cheese that was down 2.5 percent from 2013. For the first 4 months of 2015, milk used in all cheese production was down 7.1 percent from 2014 with Italian experiencing the largest decline.

Other Products

U.S. butter production declined slightly from 2013 to 2014, but was up 18.1 percent from 2009. Yogurt (plain and fruit flavored) rose only 0.9 percent in 2014, but compared to 2009 grew 23.9 percent. Nonfat dry milk (NFDM) experienced double-digit growth from both 2013 (19.4 percent) and 2009 (16.7 percent).

In the Northeast Order, milk used in butter production rose 2.8 percent in 2014 and 30.5 percent from 2009. Milk used in making yogurt dropped significantly in 2014, 18.3 percent, but compared to 2009 (before Greek-style yogurt became a major contributor to the category), was up 368.3 percent. Milk used in the production of dry milk products (mostly nonfat) rose 33.4 percent from 2013 and 45 percent from 2009.

Leading States

The top five cheese producing states during 2014 were Wisconsin, California, Idaho, New York, and New Mexico. Both Wisconsin and California had more than double the volume of the number three state and accounted for 25 and 21 percent of the total cheese manufactured in the country, respectively. New York topped New Mexico by

Change in Selected Manufactured Dairy Products, 2014

	Total U.S. Production of Manufactured Products		Total Northeast Order Milk Used to Manufacture#		
	2014 from:		2015 YTD from:		2014
	2009	2013	2009	2013	
	(percent change)				
Cheese					
American^	7.9	2.6	37.4	6.8	0.5
Italian	18.4	4.5	5.9	1.4	(17.7)
Cream and Neufchatel	11.1	1.1	21.3	2.8	(3.3)
Other*	20.6	0.9	29.4	(2.5)	7.7
Total Cheese(excludes cottage)	13.7	3.7	17.6	2.8	(7.1)
Butter	18.1	(0.3)	30.5	2.8	14.0
NFDM~	16.7	19.4	45.0	33.4	37.0
Yogurt	23.9	0.9	368.3	(18.3)	(4.7)

Source: USDA, NASS - Dairy Products 2014 Summary; Northeast Order pool report data.

Based on total milk used in manufacture of products. 2015 comparison is for January-April only.

^ Includes Cheddar, Colby, Monterey, and Jack.

* Includes Swiss, Hispanic, Muenster, feta, and other varieties.

~ For human use; Northeast data includes some whole milk powder.

only 26 million pounds. Pennsylvania ranked seventh in total cheese production. Wisconsin remained the number one producer of American cheese and dry whey production. California led in Italian cheese, butter, ice cream, and nonfat dry milk. New York remained the largest producer of lowfat and creamed cottage cheese and sour cream. State rankings for other products such as yogurt and cream cheese were not given due to having fewer than 3 handlers reporting.

Percent of Total Milk Production

Of U.S. total milk production, 75.7 percent was used in manufactured products (24.3 percent sold for fluid use) in 2014, up from 74.3 percent in 2013 and 70.7 percent in 2009.

In the Northeast Order, the total amount of pooled milk utilized in manufactured products equaled 64.4 percent in 2014; this compares to percents of 62.6 and 56.6 in 2013 and 2009, respectively. The increases seen in recent years are in sync with the trend of less milk in the Northeast utilized for fluid drinking products (Class I decline). For the first 4 months of 2015, milk used in manufactured products accounted for 65.2 percent. ❖

Market Situation

In the November 2014 Bulletin, Chicago Mercantile Exchange (CME) futures prices suggested that the 2015 annual average uniform price projected to be \$17.66 per hundredweight. That projection remains close to the mark through May 2015 and looking ahead. The uniform price at the Boston, MA, zone has averaged \$16.79 per cwt for the January through May period of this year. Using CME Class III and Class IV milk futures prices settled on June 15, the uniform price for 2015 projects to average \$17.35 per (continued on page 3)

Market Situation *(continued from page 2)*

cwt for the year, averaging \$17.76 per cwt over the remaining seven months of the year. These projections predict a peak for the year of \$18.27 per cwt in the month of November. The uniform price since 2012 is presented in the accompanying chart.

Export Volumes Return, if not Value

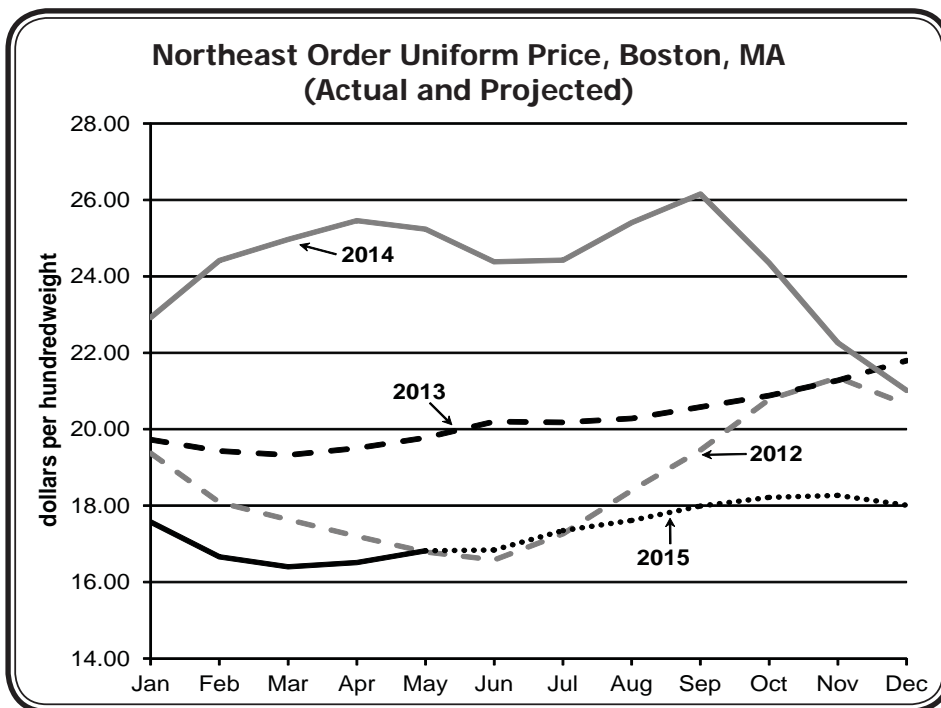
Through 2014, the U.S. volume and value of exports declined substantially until reaching a low at the end of the year; they remained low at the start of 2015. The latest data from the U.S. Dairy Export Council indicate that export volumes for the month of April 2015 reached their second-highest level ever, on a daily-average basis and are about the same levels as a year ago. U.S. exports were equivalent to 16.7 percent of total U.S. milk production on a total milk solids basis, the most since June 2014. U.S. export value is down about 22 percent from year-ago levels.

Other Demand Factors

The Restaurant Performance Index (RPI) gained 0.5 percent in April (to 102.7) from 102.2 in March. April represents the 26th consecutive month in which the index has been above 100. A level above 100 indicates expansion in the industry. The index is an important measure of domestic demand as a large volume of dairy products are used by the restaurant industry. Another important measure of domestic demand is the Conference Board's Consumer Confidence Index. This index increased moderately from 94.3 in April to 95.4 in May. The improvement was driven by an increasingly positive view of the present situation. Consumer expectations of the future edged down slightly.

Supply Side

Compared to the previous year, monthly milk production increases have been running below 2 percent, but above 1 percent since February. During a period in



mid-2014, production was increasing from between 2.6 to 4.3 percent from the previous year. Still, strong milk production is lifting the total milk pooled on the Northeast Order to record levels in May (when including milk that was depooled). As of March 31, butter stocks were 3.9 percent lower, American cheese stocks were 1.5 percent lower, and total cheese stocks were 4.4 percent higher compared to a year ago. Nonfat dry milk stocks were 17.8 percent higher. Currently higher butter and cheese prices paired with much lower nonfat dry milk prices are reflecting some of the relative tightness in the butter and cheese market compared to the nonfat dry milk market.

Looking ahead

Overall, solid domestic demand and returned strength of U.S. exports will help milk prices rise steadily, if not largely, during the second half of the year. Some analysts question whether current strength in the cheese market is due to securing of future needs. If that is the case, cheese prices may not remain as strong later in the year. ❖

May Pool Price *(continued from page 1)*

Order provisions stipulate when depooled producers may be repooled on the Order and provide economic disincentives that effectively limit the amount of milk depooled on the Northeast Order during the course of a year.

Records Set

The total volume of producer milk receipts was the third highest ever for the month of May and the fourth

highest ever under the Order. If the depooled milk was included, it would have been the largest volume ever for the Order since its inception. Daily deliveries per producer averaged 6,374 pounds, the highest ever for the Order. Class I volume was the smallest ever for the month while the Class II volume was the second highest ever for May. The Class IV was the largest ever for the Order.

Both the average producer butterfat and other solids tests in May tied with the highest record for the month. ❖

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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	717,913,337	\$12.77	91,677,533.13	
Butterfat	13,981,548	1.9297	26,980,193.18	
Less: Location Adjustment to Handlers			(2,566,187.12)	\$116,091,539.20
Class II— Butterfat	32,499,860	2.0669	67,173,960.59	
Nonfat Solids	48,214,922	0.8722	42,053,054.97	109,227,015.56
Class III— Butterfat	21,481,685	2.0599	44,250,122.95	
Protein	14,555,080	2.5206	36,687,534.66	
Other Solids	27,772,180	0.2533	7,034,693.22	87,972,350.83
Class IV— Butterfat	15,350,424	2.0599	31,620,338.39	
Nonfat Solids	41,633,773	0.7708	32,091,312.24	63,711,650.63
Total Classified Value				\$377,002,556.22
Add: Overage—All Classes				48,145.42
Inventory Reclassification—All Classes				230,438.80
Other Source Receipts	130,169 Pounds			4,195.45
Total Pool Value				\$377,285,335.89
Less: Producer Component Valuations @ Class III Component Prices				(374,838,151.44)
Total PPD Value Before Adjustments				\$2,447,184.45
Add: Location Adjustment to Producers				11,924,334.41
One-half Unobligated Balance—Producer Settlement Fund				924,947.74
Less: Producer Settlement Fund—Reserve				(1,106,461.17)
Total Pool Milk & PPD Value	2,252,381,814 Producer pounds			\$14,190,005.43
Producer Price Differential		\$0.63		
Statistical Uniform Price		\$16.82		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

June 2015

Federal Order No. 1

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June Pool Price Calculation

The June 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.09 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 \$17.37 per hundredweight. The June statistical uniform price was 27 cents per hundredweight above the May price. The June producer price differential (PPD) at Suffolk County was \$0.37 per hundredweight, a decrease of 26 cents per hundredweight from last month.

Product Prices Effect

Commodity prices for cheese and butter increased from the previous month, while nonfat dry milk and dry whey decreased; this was the fourth month in a row. Butter rose 3 cents and cheese increase nearly 7 cents per pound. Similar to last month, nonfat dry milk and dry whey each dropped about 2 cents per pound. These changes resulted in similar movements in component prices. The butterfat price rose 4 cents per pound, the protein price jumped 17 cents, and the other solids and nonfat solids prices both dropped 2 cents per pound.

Class price changes were as follows: the Class I price rose 31 cents, Class II dropped 4 cents, Class III was up 53 cents and Class IV declined 1 cent, all on a per hundredweight basis.

Depooling Again

A larger volume of milk was depooled during June due to disadvantageous price relationships between classes. An explanation of depooling was given in last month's *Bulletin*.

Highs and Lows

The Class IV volume was the largest ever for the month and the third highest ever for the Order. For the first time in nineteen months, the Class I volume was higher than the same month the previous year.

The average producer butterfat test in June tied with the highest record for the month (same as in both 2013 and 2014). The average producer protein test was the lowest for the month in five years. ❖

Pool Summary

- A total of 11,241 producers were pooled under the Order with an average daily delivery per producer of 6,198 pounds.
- Pooled milk receipts totaled 2.090 billion pounds, a decrease of 4.1 percent from last month on an average daily basis, not adjusting for depooled milk in June.
- Class I usage (milk for bottling) accounted for 34.1 percent of total milk receipts, an increase of 1.6 percentage points from May.
- The average butterfat test of producer receipts was 3.65 percent.
- The average true protein test of producer receipts was 2.97 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

Pooled Milk	Percent	Pounds
Class I	34.1	711,962,817
Class II	25.6	535,039,161
Class III	20.2	422,267,151
Class IV	20.1	420,795,486
Total Pooled Milk		2,090,064,615

Producer Component Prices

	2015	2014
	\$/lb	
Protein Price	2.6915	3.3437
Butterfat Price	2.1011	2.4413
Other Solids Price	0.2322	0.4942

Class Price Factors

	2015	2014
	\$/cwt	
Class I	19.39	26.11
Class II	14.77	23.94
Class III	16.72	21.36
Class IV	13.90	23.13

Negative PPDs Received by Larger Portion of Producers

The Producer Price Differential (PPD) for June 2015 equaled \$0.37 per hundredweight at Suffolk County, Massachusetts (Boston), the basing point for the Northeast Order. Producers are paid for their milk based on the location where their milk is delivered during the month. Producers' milk delivered to plants in Suffolk County, or any other county that has a \$3.25 differential, would receive the 37-cent PPD. Plants located in differential zones less than \$3.25 have a lower PPD obligation to producers delivering to those plants. Differential values determine the relative PPD value and are meant to help cover the cost of hauling milk from the farm location of where the milk is produced to the plant of first receipt. For the month of June, milk delivered to plants located in the outer zones (\$2.80 or less), further away from the Boston base point, received a negative PPD.

Why the Negative PPDs?

Based on how milk is used during the month, the classification of the milk generates a finite amount of money in the Order's pool. Producers are paid for their protein, butterfat, and other solids components from the pool at the same dollar per pound value as Class III milk. The PPD is an adjustment made to the producer pay prices for the additional value generated by milk used in the other classes (I, II, and IV). In the case of recent months, the uniform price has been rising, but not dramatically so. Due to low

Class II and Class IV prices, relative to the Class III price, there is little to no value left to be paid out in the form of a PPD, after paying producers for the value of their Class III components.

Expanding Area Impacted

Negative PPDs have occurred in outer zones of the Northeast Order since March of this year. In March, 25 percent of the milk pooled on the order received a negative PPD (milk going to the \$2.40 zone or less). In April, 38.3 percent of the milk received a negative PPD (in the \$2.50 and below zones). In May, 40.5 percent received a negative PPD (in the \$2.60 and below zones). June had 64.5 percent of the milk receive a negative PPD (from the \$2.80 zone or less). The maps on page 3 present the volume of milk receiving a negative PPD for the months this has occurred in 2015, and the differential zones impacted. October 2012 was the last time all producers pooled on the Northeast Order received a negative PPD (all differential zone locations), of which there has been such an occurrence 7 times in total, since the Order's inception.

Short-Term Outlook

Based on Chicago Mercantile Exchange futures prices on July 10, as an estimate for actual product prices, PPDs for at least the next couple of months are expected to remain low enough to result in negative PPDs in at least some differential zones. ❖

Pool Summary for All Federal Orders, January–June, 2014–2015

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2014	2015	Change	2014	2015	2014	2015
		pounds			percent	dollars per hundredweight		
1	Northeast	12,920,474,605	13,023,217,185	0.8	1.89	0.86	24.57	16.84
5	Appalachian	2,863,565,142	2,863,579,179	0.0	N/A	N/A	25.65	18.25
6	Florida	1,410,105,003	1,385,619,527	(1.7)	N/A	N/A	27.81	20.66
7	Southeast	2,811,671,028	2,692,442,378	(4.2)	N/A	N/A	26.10	18.97
30	Upper Midwest	16,551,408,472	15,324,724,264	(7.4)	0.24	0.07	22.92	16.05
32	Central	7,683,724,595	7,276,993,527	(5.3)	0.48	(0.04)	23.16	15.95
33	Mideast	8,417,724,332	9,233,053,108	9.7	0.81	(0.00)	23.49	15.99
124	Pacific Northwest	4,024,873,368	3,065,668,101	(23.8)	0.46	(0.64)	23.14	15.34
126	Southwest	6,130,306,300	5,257,127,527	(14.2)	1.28	0.82	23.96	16.81
131	Arizona	2,536,199,645	2,482,134,166	(2.1)	N/A	N/A	23.67	15.63
All Market Total/Average		65,350,052,490	62,604,558,962	(4.2)	0.86	0.18	24.45	17.05

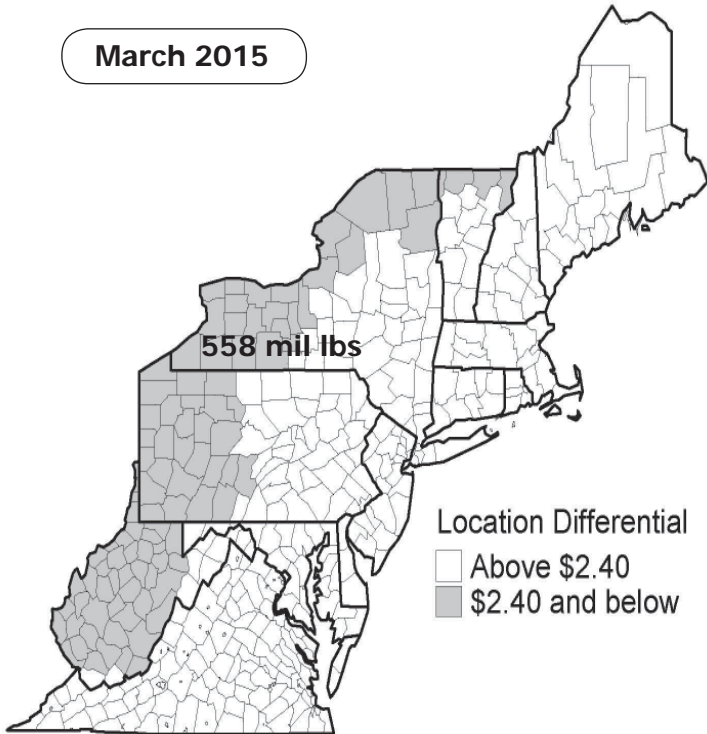
Price at designated order location.

* Price at 3.5% butterfat.

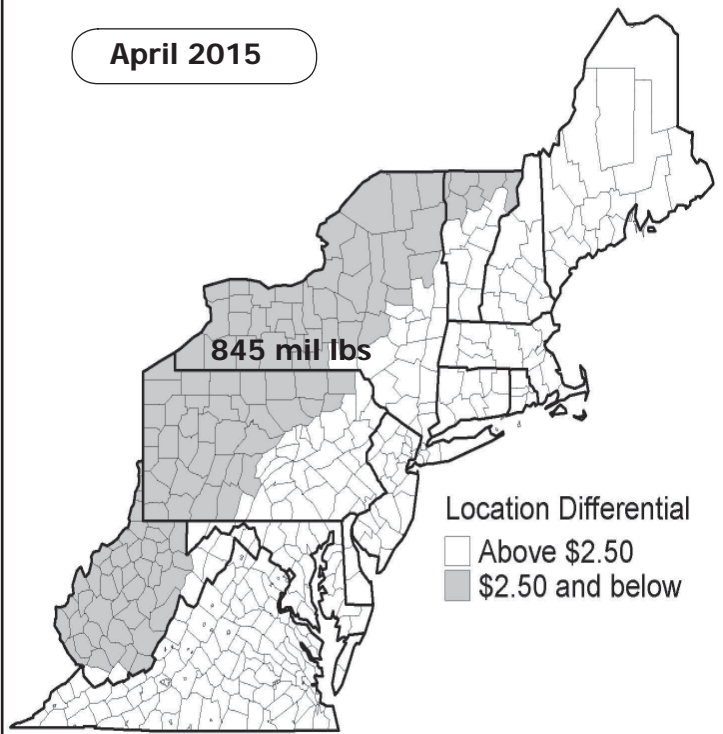
N/A = Not applicable.

Areas Impacted by Negative PPDs, March–June 2015

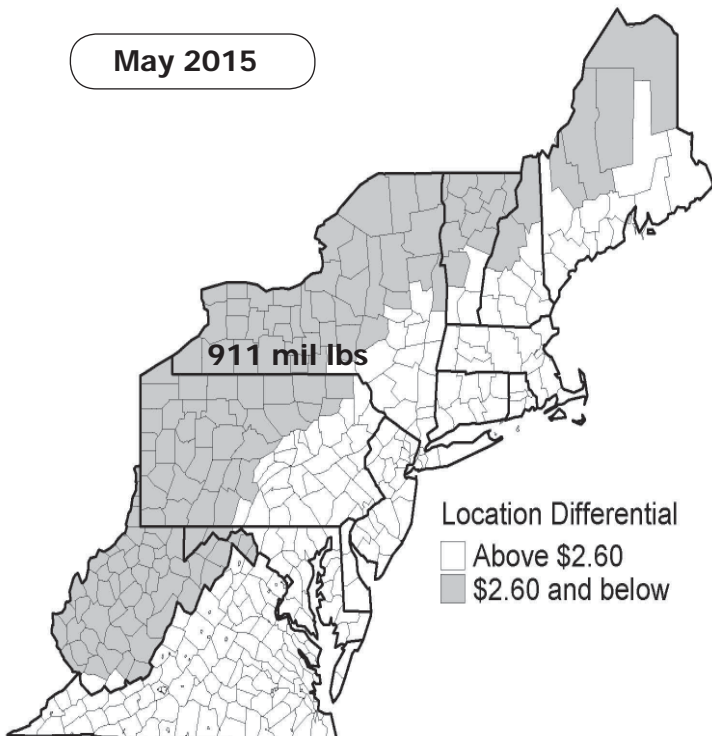
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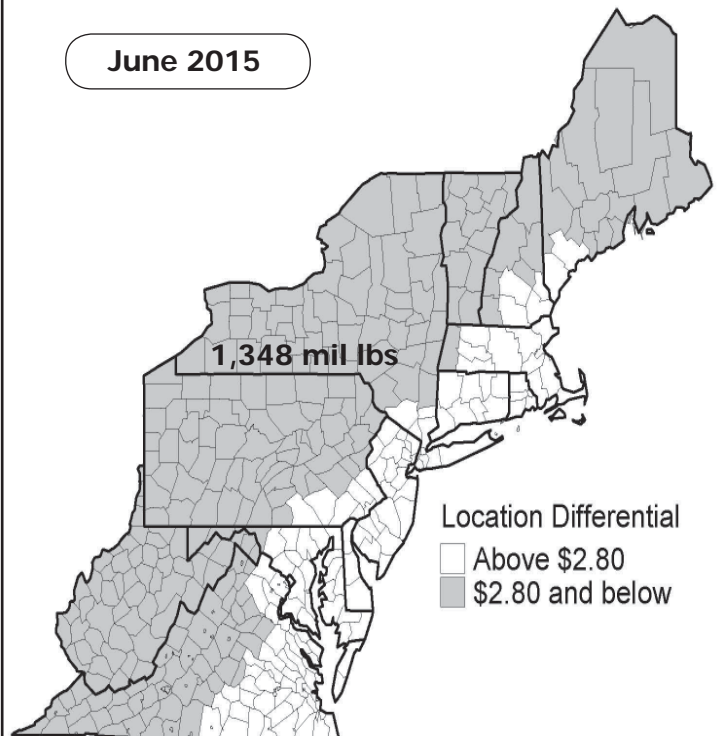
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Computation of Producer Price Differential and Statistical Uniform Price*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	697,817,475	\$12.62	88,064,565.35	
Butterfat	14,145,342	2.0606	29,147,891.73	
Less: Location Adjustment to Handlers			(2,512,982.62)	\$114,699,474.41
Class II— Butterfat	31,637,304	2.1081	66,694,600.60	
Nonfat Solids	45,646,891	0.8511	38,850,068.92	105,544,669.52
Class III— Butterfat	18,533,562	2.1011	38,940,867.14	
Protein	12,531,428	2.6915	33,728,338.47	
Other Solids	24,136,498	0.2322	5,604,494.81	78,273,700.42
Class IV— Butterfat	11,949,408	2.1011	25,106,901.14	
Nonfat Solids	37,046,076	0.7529	27,891,990.61	52,998,891.75
Total Classified Value				\$351,516,736.10
Add: Overage—All Classes				106,661.62
Inventory Reclassification—All Classes				448,528.64
Other Source Receipts	645,521 Pounds			16,119.60
Total Pool Value				\$352,088,045.96
Less: Producer Component Valuations @ Class III Component Prices				(355,336,265.76)
Total PPD Value Before Adjustments				(\$3,248,219.80)
Add: Location Adjustment to Producers				10,941,558.94
One-half Unobligated Balance—Producer Settlement Fund				1,071,371.49
Less: Producer Settlement Fund—Reserve				(1,029,083.07)
Total Pool Milk & PPD Value	2,090,710,136 Producer pounds			\$7,735,627.56
Producer Price Differential		\$0.37		
Statistical Uniform Price		\$17.09		

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

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 2015

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 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.91 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 \$17.16 per hundredweight. The July statistical uniform price was 18 cents per hundredweight below the June price. The July producer price differential (PPD) at Suffolk County was \$0.58 per hundredweight, an increase of 21 cents per hundredweight from last month.

Product Prices Effect

Product prices for all commodities declined except butter that increased slightly. As a result, all component prices dropped except butterfat. Class prices changed slightly: Class I rose 39 cents; Class II declined 7 cents; Class III dropped 39 cents, and Class IV fell 75 cents, all on a per hundredweight basis.

There was no depooled milk for the month and producer milk volume was still strong. Class I sales were below the same month last year; Classes II and IV were above last year. Although Class III was not higher than the same month last year, it was the highest volume since August 2014. The utilization changes combined with the lower prices resulted in a slightly lower SUP and higher PPD. Milk delivered to plants in the outer zones (\$2.60 or less) will receive a negative PPD. This was expected and mentioned in last month's *Bulletin*.

Highs and Lows

The volume for July was the highest ever for the month and the fourth largest volume ever for Order. The Class I volume was the lowest ever for the month of July, and when combined with the strong overall pool volume, resulted in the lowest Class I utilization percent since the Order's inception. The Class II volume was the largest since August 2013. The Class IV volume was the third highest ever for the Order; Class IV has been over 400 million pounds every month in 2015 except February.

The average producer butterfat test in July set a record high for the month. The average producer other solids test tied with 2012 as the highest for the month of July. ❖

Pool Summary

- A total of 11,697 producers were pooled under the Order with an average daily delivery per producer of 6,265 pounds.
- Pooled milk receipts totaled 2.272 billion pounds, an increase of 5.2 percent from last month on an average daily basis, not adjusting for depooled milk in June.
- Class I usage accounted for 31.3 percent of total milk receipts, a decrease of 2.8 percentage points from June.
- The average butterfat test of producer receipts was 3.65 percent.
- The average true protein test of producer receipts was 2.96 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.3	710,346,357
Class II	25.4	576,268,391
Class III	24.3	552,568,303
Class IV	19.0	432,407,347
Total Pooled Milk		2,271,590,398

Producer Component Prices

	2015	2014
	\$/lb	
Protein Price	2.6070	3.1798
Butterfat Price	2.1125	2.6349
Other Solids Price	0.2004	0.5046

Class Price Factors

	2015	2014
	\$/cwt	
Class I	19.78	26.27
Class II	14.70	24.41
Class III	16.33	21.60
Class IV	13.15	23.78

First Six Months—Changes in Production and Utilization

During the first 6 months of 2015, total pooled milk receipts on the Northeast Order increased 0.8 percent from the same period in 2014. This change does not account for milk depooled by handlers during the months of May and June due to disadvantageous class price alignment. If that milk was included (the depooled producers and their associated milk production were repooled on the Order in July), the increase would have been significantly higher. In comparison, milk production in the 3 top contributing states in the Northeast (New York, Pennsylvania, and Vermont) rose 2.3 percent during the same period, similar to the change in producer milk receipts if the depooled milk had been included.

of 0.6 percent; New York and Pennsylvania were up 2.4 and 2.5 percent, respectively.

Changes in Utilization

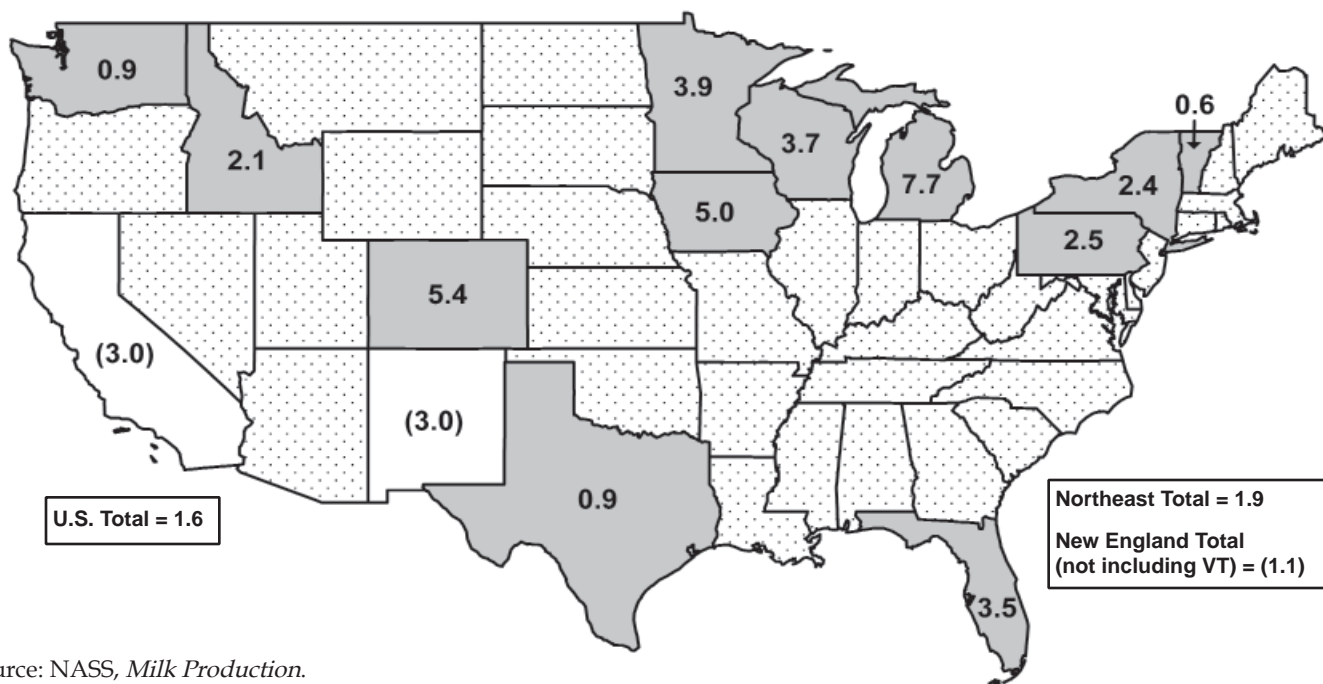
Producer milk pooled on the Northeast Order totaled 13,023 million pounds for the January through June period (not including depooled milk). Class I utilization for the same period totaled 4,434 million pounds, 34.0 percent of the total milk pooled and the lowest percent for the January-June period since the Order's inception. Total pooled milk receipts for the first 6 months are the second highest ever for the Order (would be the highest if depooled milk was included), surpassed only by the total in 2002. At that time, Class I pounds for the January-June period totaled 5,235 million pounds and 39.8 percent of the total pooled.

National Production

The accompanying map shows year-to-year changes in milk production for the first 6 months of 2015 compared to the same months in 2014 for selected states. Overall, US milk production is up 1.6 percent for the period. The top 23 states (as reported by the National Agricultural Statistics Service) in total report an increase of 1.5 percent. Of the top ten producing states, the only ones to report declining production from the previous year were California and New Mexico. The Upper Midwest and Central US showed the highest growth. The Northeast states, as a whole, were up 1.9 percent; New England states (not including Vermont) were down 1.1 percent. Vermont reported slight growth

In contrast to Class I, milk utilized in Class IV has set a record high during the first 6 months of 2015. Total pounds used in Class IV equaled 2,505 million pounds, 19.2 percent of the total pooled volume for the January-June period. This volume was up 25.3 percent from the second largest volume 1,999 million pounds that was record-setting in 2008. The strong milk production occurring during this time period has pushed balancing plants to capacity and resulted in some volumes of milk being dumped at farm locations. Class II usage for 2015 continued to decline from the record level set in 2013. Total Class III volume for 2015 is slightly below the 15-year average. ❖

January–June 2015 Milk Production in Selected States
(Year-to-Year Percent Change)



Source: NASS, Milk Production.

Daily Deliveries Per Producer

The accompanying chart presents trends in the average daily delivery per producer (DDP) for select states in the Northeast, based on pounds pooled on the Northeast Order, for the month of June, from 2000 to 2015. The DDP statistic is calculated by dividing the total production of an area, by the number of producers, and then again by the number of days in the period. In general, DDP is a reflection of the average size operations in the area represented. Since the data used are pounds pooled, the average can be impacted by which size producer(s) may be pooled in a given month, but not in the next.

DDP by Selected Northeast States

The accompanying table presents the average DDP for June 2015 and the percent change since June 2000. During June 2015, the average DDP for the Northeast Order was 6,198 pounds. Connecticut led all states, topping 10,000 pounds. Vermont was second with 9,480 pounds, followed by New York with 7,970 pounds. Pennsylvania's DDP was second lowest at 4,655 pounds. Virginia had the lowest DDP at 3,482, but had less than 100 producers and 10 million pounds total pooled on the Northeast Order. Not all producers from Virginia are pooled on the Northeast Order; they may be pooled on another federal order or Virginia's State Order.

Trend Since 2000

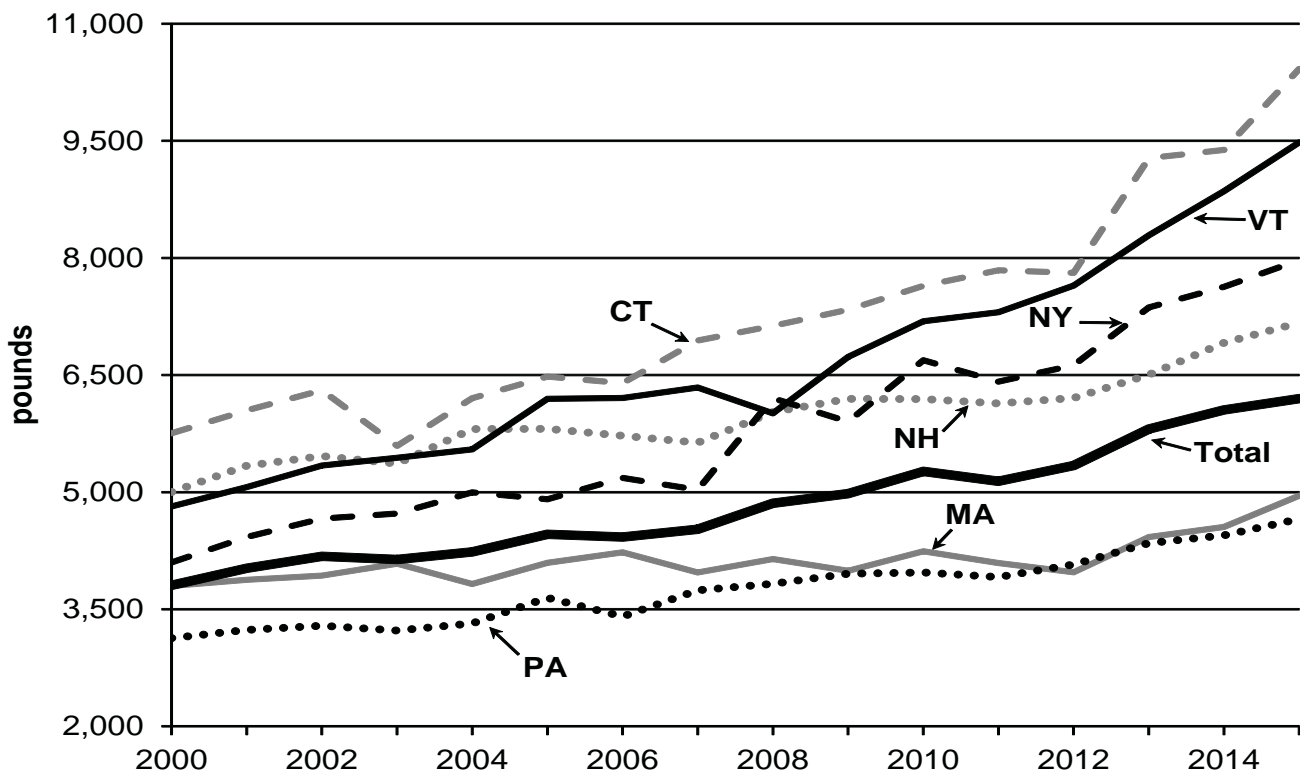
The DDP for all producers pooled on the Northeast

June 2015 DDP by State and Percent Change Since June 2000

State	DDP June 2015 (pounds)	Percent Change Since June 2000
CT	10,421	81.1
ME	6,619	81.7
MD	6,149	42.8
MA	4,954	30.4
NH	7,171	43.3
NY	7,970	94.4
PA	4,655	48.7
VT	9,480	96.8
VA	3,482	(24.6)
Total	6,198	62.8

Order increased by 62.8 percent since 2000. All states depicted showed an increased DDP except for Virginia (not shown in the chart), which declined by about 25 percent. By state, Vermont and New York showed the first and second largest percent increases, increasing by 97 and 94 percent, respectively. Connecticut and Maine also were above the Order average, both increasing by just over 81 percent. Pennsylvania, New Hampshire, Maryland, and Massachusetts, all increased, but by less than the Order average. ❖

Average DDP, by Selected States, June 2000–2015



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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	695,921,625	\$12.72	88,521,230.70	
Butterfat	14,424,732	2.1440	30,926,625.41	
Less: Location Adjustment to Handlers			(2,519,696.49)	\$116,928,159.63
Class II— Butterfat	33,770,269	2.1195	71,576,085.15	
Nonfat Solids	49,127,790	0.8389	41,213,303.06	112,789,388.21
Class III— Butterfat	23,454,328	2.1125	49,547,267.95	
Protein	16,373,285	2.6070	42,685,154.03	
Other Solids	31,628,245	0.2004	6,338,300.33	98,570,722.31
Class IV— Butterfat	11,174,606	2.1125	23,606,355.20	
Nonfat Solids	38,148,310	0.6621	25,257,996.06	48,864,351.26
Total Classified Value				\$377,152,621.41
Add: Overage—All Classes				29,375.96
Inventory Reclassification—All Classes				193,497.01
Other Source Receipts	912,303 Pounds			27,801.76
Total Pool Value				\$377,403,296.14
Less: Producer Component Valuations @ Class III Component Prices				(376,584,741.00)
Total PPD Value Before Adjustments				\$818,555.14
Add: Location Adjustment to Producers				12,409,938.67
One-half Unobligated Balance—Producer Settlement Fund				955,790.11
Less: Producer Settlement Fund—Reserve				(1,003,768.31)
Total Pool Milk & PPD Value	2,272,502,701 Producer pounds			\$13,180,515.61
Producer Price Differential		\$0.58		
Statistical Uniform Price		\$16.91		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

August 2015

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

August Pool Price Calculation

The August 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.90 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 \$17.20 per hundredweight. The August statistical uniform price was 1 cent per hundredweight below the July price. The August producer price differential (PPD) at Suffolk County was \$0.63 per hundredweight, an increase of 5 cents per hundredweight from last month.

Product Prices Effect

Product prices for butter and cheese rose while nonfat dry milk and dry whey declined. As a result, all component prices dropped except butterfat; the protein price declined due to the increase in the butterfat price that is a factor in the protein component price formula. Class prices all decreased somewhat: Classes I and IV fell 25 cents; Class II declined 16 cents; and Class III dropped 6 cents, all on a per hundredweight basis.

Class I sales were below the same month last year; Classes II and IV were above last year. The small changes in prices resulted in a relatively unchanged SUP and slightly higher PPD. Milk delivered to plants in the outer zones (\$2.60 or less) will receive a negative PPD as was expected and mentioned in recent *Bulletins*.

Highs and Lows

The volume for August was the highest ever for the month and the fifth largest volume ever for Order. The Class I volume was the lowest ever for the month of August, but up slightly from July due to some schools getting back in session. The Class II volume was the second largest for the month of August and the largest volume since May 2013. The Class IV volume dropped significantly from July, but was the highest ever for the month of August.

The average producer other solids test set a record high for the month. ❖

Pool Summary

- A total of 11,854 producers were pooled under the Order with an average daily delivery per producer of 6,018 pounds.
- Pooled milk receipts totaled 2.211 billion pounds, a decrease of 2.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 32.2 percent of total milk receipts, an increase of 0.9 percentage points from July.
- The average butterfat test of producer receipts was 3.64 percent.
- The average true protein test of producer receipts was 2.98 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	32.2	712,938,102
Class II	26.8	592,646,965
Class III	25.6	565,110,160
Class IV	15.4	340,750,650
Total Pooled Milk		2,211,445,877

Producer Component Prices

	2015	2014
	\$/lb	
Protein Price	2.5692	3.1496
Butterfat Price	2.2674	2.8448
Other Solids Price	0.1151	0.5036

Class Price Factors

	2015	2014
	\$/cwt	
Class I	19.53	27.12
Class II	14.54	25.34
Class III	16.27	22.25
Class IV	12.90	23.89

Market Situation & Outlook

The accompanying chart presents the USDA, Agricultural Marketing Service, National Dairy Product Sales Report Prices (NDPSR) that are used in federal order price formulas when establishing class prices. The most recent five years are shown. Prices of all products were declining rapidly from September 2014 through the last quarter of 2014. Since January 2015, butter and cheese prices have increased while nonfat dry milk and dry whey prices have continued their downward trend. Of note, the most recent NDPSR nonfat dry milk price (\$0.7443 per pound) was the lowest it has been since at least the year 2000. Comparing August 2015 product prices to the most recent 5-year averages, the butter price is about 23 cents above the average, the weighted average cheese price is about 8 cents below, dry whey is about 25 cents below, and the NFDM price stands at roughly 73 cents below.

NFDM Stocks Pressuring Price Lower

The record low NFDM price contributed to a Class IV price of \$12.90 per hundredweight, a relatively low price not matched since February 2010. Analysts report that milk powder supply is plentiful on the world market, reflected in record U.S. NFDM stocks of almost 270 million pounds in July. Part of the story is the continued Russian ban on dairy products from the European Union and the decline in purchasing from China. The U.S. Dairy Export Council reported a 56 percent decline in the purchase of whole milk powder by China. Large stocks may impede price recovery into 2016.

Compounding the impact a lower Class IV price has had on the uniform price for Northeast Order producers is the effect of recent changes in Northeast Order utilization. Class IV utilization has been setting record highs, increasing the relative weight attributed to the lowest class price. At the same time, Class I utilization has declined. Using utilizations that existed in August 2010 with 2015 prices would have resulted in a 53-cent higher uniform price.

Butter Prices Surge

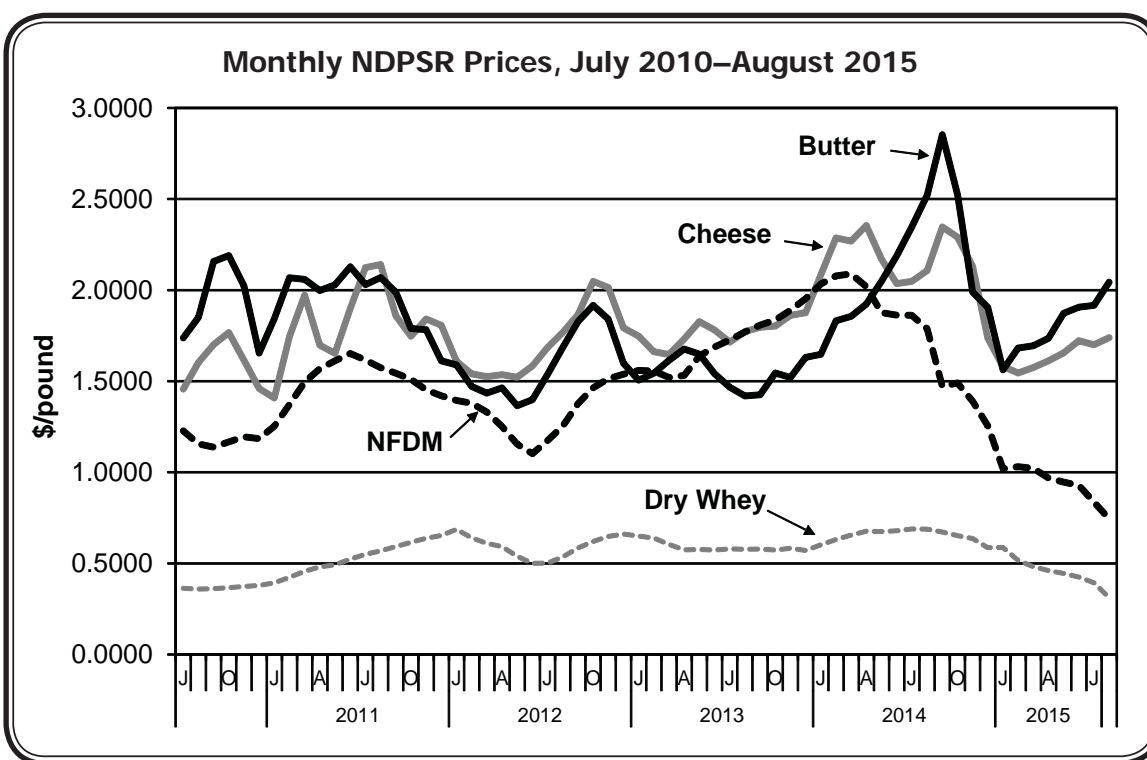
Though stocks of cheese and butter are higher than is typical into July, product demand has led to increases in prices through 2015. The NDPSR butter price moved above \$2.00 per pound in August and looks to move even higher, at least in the near term (based on Chicago Mercantile Exchange (CME) butter prices topping \$2.50 per pound in mid-September). Though lagging behind, NDPSR prices tend to follow CME prices, approximately. Some analysts suggest that a renewed interest by consumers in dairy fat as a healthy part of a diet lies behind support of higher butter prices. Recent increases in whole milk consumption and even McDonald's announcement of a transition from margarine to butter in many of their menu items reflect this recent trend.

The strong butter price has strengthened the Class IV price to a degree that, if it continues, will result in a uniform price, high enough relative to the Class III price,

where the producer price differential (PPD) will be positive in all zones. Based on CME Class III and IV futures prices from September 14, the PPD projects to be positive in all zones as soon as September.

Looking Ahead

Higher U.S. prices relative to world prices may hurt U.S. exporters when establishing contracts for 2016. This threat to export volume combined with possible higher stocks of all U.S. dairy products could combine to retard significant price recovery into 2016. ❖



Whole Milk Sales Increase in Contrast to Other Products

Sales of packaged fluid *whole* milk products in the Northeast Marketing Area during the first 6 months of 2015 grew 1.7 percent over the same period in 2014. This increase is in contrast to the overall sales of fluid milk products, which declined 2.8 percent for the same period. The same trend in whole milk occurred between 2013 and 2014, although the decline in total fluid sales was less. The accompanying table shows sales for the January-June period for 2013-2015 in the Northeast Marketing Area and U.S. estimated total sales.

Whole milk sales include white, flavored, organic and lactose-free products that have a butterfat level of at least 3.25 percent (the minimum standard for packaged whole milk products). The average butterfat level for the past 3 years has been 3.28 percent for these products in the Northeast Marketing Area, based on reporting by handlers regulated under the Order. The overall average of all packaged fluid products averaged 1.88 percent for the January-June 2015 period; the average was 1.84 and 1.80 for same period in 2014 and 2013, respectively, indicating a majority of sales in lower fat products.

As a proportion of total fluid sales in marketing area, whole milk products accounted for 35.5 percent for the first 6 months of 2015. This is up from 33.9 in 2014 and 32.8 in 2013.

Possible Causes

There have been news stories and studies recently promoting whole milk touting its benefit in diets as both healthier and helpful in lowering overall body weight. Northeast Order data appears to indicate that there has been some consumer response to such information. In addition, the increase in organic sales seem to be concentrated more on the whole milk side versus lower fat organic products, at least for this past year in the Northeast marketing area.

National Scene

Nationally, the increase in whole milk sales is showing a similar trend. For the January through June period, whole milk sales were up 3.4 percent from the same period in 2014. Overall, fluid sales for this period were down 1.7 percent nationally. Between 2013 and 2014, all sales declined.

Sales of Fluid Milk Products, January–June, 2013–2015

Product	Fluid Milk Sales (billion pounds)			Percent Change	
	2013	2014	2015	2013-14	2014-15
<i>Northeast Marketing Area</i>					
Whole Milk	1.314	1.336	1.359	1.7	1.7
Lower Fat	2.689	2.602	2.468	(3.2)	(5.1)
Total	4.003	3.938	3.827	(1.6)	(2.8)
<i>Estimated United States*</i>					
Whole Milk	6.793	6.779	7.009	(0.2)	3.4
Lower Fat	18.828	18.231	17.564	(3.2)	(3.7)
Total	25.621	25.010	24.573	(2.4)	(1.7)

* Source: AMS, *Estimated Fluid Milk Products Sales Report*.

Effect on Butterfat

Butter prices on the Chicago Mercantile Exchange have been on the rise since the beginning of 2015 (for more on this topic, see the Market Situation & Outlook article on page 2). As mentioned, consumers' interest in dairy fat is likely a contributing factor to the higher butter prices. A higher volume of butterfat remaining in fluid products reduces the amount available for other uses, such as butter and other manufactured products that rely heavily on butterfat. ❖



California Market Order Hearing

The USDA will hold a public hearing starting on September 22, 2015, in Clovis, California, to consider the establishment of a Federal Milk Marketing Order (FMMO) for California. USDA will hear testimony and receive evidence regarding four proposals for a FMMO in California. The hearing is expected to last several weeks and is open to the public.

California's dairy industry represents 20 percent of all U.S. milk production; it is currently regulated under a state marketing order. The 2014 Farm Bill allows for a California FMMO that recognizes certain state-specific aspects of the current order, if recommended by USDA and approved by California dairy producers. USDA's Agricultural Marketing Service has received formal requests from California Dairies, Inc.; Land O'Lakes, Inc.; Dairy Farmers of America, Inc.; Dairy Institute of California; the California Producer Handler Association; and Ponderosa Dairy.

To view the proposals and get additional information, visit www.ams.usda.gov/CAOrder. ❖

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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	698,340,421	\$12.38	86,454,544.12	
Butterfat	14,597,681	2.1657	31,614,197.74	
Less: Location Adjustment to Handlers			(2,540,430.17)	\$115,528,311.70
Class II— Butterfat	32,288,307	2.2744	73,436,525.46	
Nonfat Solids	50,892,126	0.7578	38,566,053.08	112,002,578.54
Class III— Butterfat	24,432,297	2.2674	55,397,790.20	
Protein	16,780,951	2.5692	43,113,619.33	
Other Solids	32,381,287	0.1151	3,727,086.11	102,238,495.64
Class IV— Butterfat	9,286,480	2.2674	21,056,164.75	
Nonfat Solids	30,119,114	0.5707	17,188,978.38	38,245,143.13
Total Classified Value				\$368,014,529.01
Add: Overage—All Classes				57,261.14
Inventory Reclassification—All Classes				331,719.65
Other Source Receipts	2,019,902 Pounds			66,727.72
Total Pool Value				\$368,470,237.52
Less: Producer Component Valuations @ Class III Component Prices				(366,513,029.81)
Total PPD Value Before Adjustments				\$1,957,207.71
Add: Location Adjustment to Producers				12,159,631.03
One-half Unobligated Balance—Producer Settlement Fund				911,752.27
Less: Producer Settlement Fund—Reserve				(1,083,756.67)
Total Pool Milk & PPD Value	2,213,465,779 Producer pounds			\$13,944,834.34
Producer Price Differential		\$0.63		
Statistical Uniform Price		\$16.90		

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

The Market Administrator's

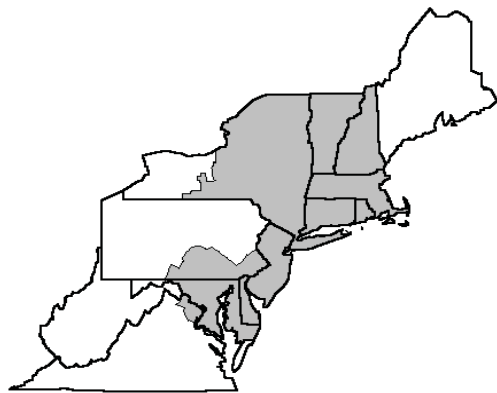
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

September 2015

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

September Pool Price Calculation

The September 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.68 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 \$18.31 per hundredweight. The September statistical uniform price was 78 cents per hundredweight above the August price. The September producer price differential (PPD) at Suffolk County was \$1.86 per hundredweight, an increase of \$1.23 per hundredweight from last month.

Product Prices Effect

Product prices for butter and nonfat dry milk rose while cheese and dry whey declined. Butter jumped 40 cents per pound resulting in a nearly 50-cent per pound increase in the butterfat component price. Cheese declined only 2 cents per pound but the decrease resulted in a nearly 60-cent drop in the protein component price. Nonfat dry milk's 6-cent per pound increase equaled a similar rise in the nonfat solids price; dry whey's 7-cent drop equated to a 7-cent per pound decline in the other solids price.

All class prices increased from the previous month, except the Class III price due to the cheese price decline. With the increase in both butter and nonfat dry milk prices, the Class IV price jumped \$2.18 per hundredweight from August.

Class I sales were below the same month last year, but above last month, and both Classes II and IV were above last year. The increases in the prices of these classes, primarily Classes II and IV, resulted in a higher SUP and larger PPD. As mentioned in recent *Bulletins*, milk delivered to plants in all zones typically considered in the Northeast milkshed should receive a positive PPD for the next few months.

Highs and Lows

The pool volume for September was the highest ever for the month, while the Class I volume was the lowest ever for the month. The Class II volume was the third largest for the month of September. The Class IV volume dropped significantly from August, but was the highest ever for the month of September. ❖

Pool Summary

- A total of 11,850 producers were pooled under the Order with an average daily delivery per producer of 5,970 pounds.
- Pooled milk receipts totaled 2.122 billion pounds, a decrease of 0.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 35.2 percent of total milk receipts, an increase of 3.0 percentage points from August.
- The average butterfat test of producer receipts was 3.70 percent.
- The average true protein test of producer receipts was 3.03 percent.
- The average other solids test of producer receipts was 5.73 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	35.2	747,840,587
Class II	25.4	539,235,834
Class III	25.6	542,052,989
Class IV	13.8	293,161,728
Total Pooled Milk		2,122,291,138

Producer Component Prices

	2015	2014
	\$/lb	
Protein Price	1.9801	3.4991
Butterfat Price	2.7531	3.2467
Other Solids Price	0.0465	0.4876

Class Price Factors

	2015	2014
	\$/cwt	
Class I	19.59	26.88
Class II	15.36	26.11
Class III	15.82	24.60
Class IV	15.08	22.58

Market Situation

Using Chicago Mercantile Exchange (CME) Class III and Class IV milk futures prices settled on October 12, the uniform price for 2015 projects to average \$17.14 per hundredweight (cwt) at the Boston, MA, differential zone for the year. CME prices track fairly close to National Dairy Product Sales Report (NDPSR) prices, so the use of CME futures prices can be a reasonable estimate of where those prices are expected to head. These projections predict a peak for the year of \$17.90 per cwt in the month of November. The 2015 uniform price is presented in Chart 1. The same chart also depicts the uniform price as projected based on May information and October 12, 2015, data. Using current data, the producer price differential still projects to remain stronger and positive in all differential zones in the typical Northeast Order milkshed. A stronger butter price has lifted the Class IV price to a level much closer to the Class III price, allowing for a larger spread between the Class III price and the uniform price.

Market Dynamics

Many of the same drivers that commonly have been referenced recently are still influencing dairy markets. Diminished exports, largely due to Russia's ban on imports and a slowdown in imports by China, are forcing a large global milk supply to compete for alternative destinations. The result is lower international prices for dairy commodities, especially for dry products, exerting particular downward pressure on nonfat dry milk prices here in the United States. The August NDPSR nonfat dry milk (NDFM) price of

\$0.8007 per pound is similar to NDFM prices that existed in 2009 and 2003-2004. Monthly cheese prices this year have been fairly steady, averaging \$1.64 per pound since January, with monthly averages plus or minus 10 cents.

Though exports have diminished, the U.S. domestic market still consumes roughly 85 percent of U.S. milk production, on a solids basis. Domestic demand indicators, such as the U.S. Consumer Confidence Index, have been strong, increasing in September to 103 (1985=100, 1985 being used as neither a peak nor trough in the business cycle). A component of the index, the Present Situation Index, reached an 8-year high. The Restaurant Performance Index remained above the 100 level, indicating industry expansion and positive expectations for the months ahead, for the 30th consecutive month. Strong domestic demand is expected to play a key role in absorbing milk production that is not exported, or that is selling at premium prices relative to international markets.

Butter Market

The CME daily butter market peaked at \$3.14 per pound on September 25, before falling briskly to the most recent \$2.35 per pound level as of October 14, a 79-cent decline (presented in Chart 2). The price movement closely resembles 2014 when the butter price fell from a September 25, 2014, peak of \$3.06 per pound to \$2.48 per pound by October 14, and then further to finish the year at \$1.56 per pound. Industry analysts and current CME futures prices do not predict the 2015 butter price to dip as low, still ending the year below the \$2.00 level, but in the \$1.80's range. ❖

Chart 1

Northeast Order Uniform Price, Boston, MA, 2015
(Actual & Projected)

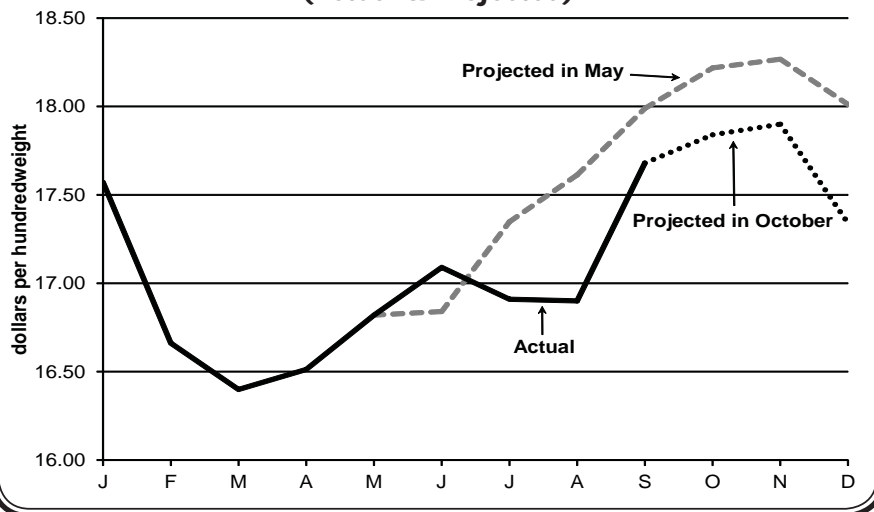
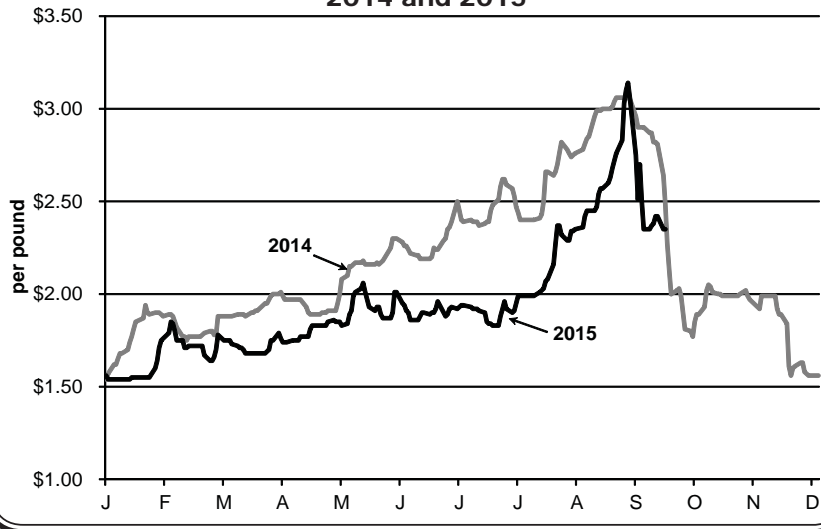


Chart 2

Chicago Mercantile Exchange Daily Butter Price,
2014 and 2015



Fall Shipping Percentage Decreased

Each year the minimum percentage of milk that pool supply plants and cooperative Section 1000.9 (c) handlers (any cooperative qualified by USDA with their own member-producers pooling producers and regulated as a handler on the Order) must deliver to Class I pool distributing plants increases from 10 percent during January through August and December, to 20 percent during the months of September, October, and November. This provision of the Order, Section 1001.7(c)(2), commonly referred to as the “shipping percentage”, stipulates that during the months of September through November, shipments and transfers by pool supply plants and cooperative handlers must equal not less than 20 percent of the total quantity of producer milk pooled by such handlers. The rationale behind this provision of the Order is that it helps assure that an adequate supply of milk will be available for Class I distributing plants at a time of the year when milk production typically is slowing, and Class I demand increases as schools reopen. In years past, milk supplies occasionally would be so tight during the fall months that pool handlers would request that the Market Administrator conduct an investigation to determine if it was necessary to increase the shipping percentage even higher than 20 percent to meet the needs of the Class I market. Such an additional increase has not occurred since 2001.

Percentage Reduced for Second Year

For the third year in a row, the Northeast Market Administrator has adjusted the minimum shipping percentage downward, during September through November, to 15 percent. The decision was made after reviewing Northeast Order statistical data, including total

pool volume, class utilization changes, and fluid milk sales, together with comments submitted by parties that responded to a call for comments. The reduction is limited just to the months of September, October, and November of 2015.

Rationale

The provision that allows the Market Administrator to adjust the shipping percentage to encourage needed shipments to the Class I market, also allows adjustment “to prevent uneconomic shipments.” The Class I utilization for September 2015 again set a new record low by volume and percent, with total pool volume simultaneously setting a record high. ❖

Request for Organic Hearing

On September 29, 2015, the USDA received a request from the Organic Trade Association for a national hearing to amend all Federal Milk Marketing Orders (FMMOs) regarding organic milk. Currently, certified organic milk and conventional milk are treated identically for minimum price and pooling purposes by FMMOs. The proposal does not seek to exempt organic milk from FMMOs but rather provide for an alternative, audited mechanism for organic milk handlers to meet their minimum price obligations under FMMOs.

The proposal can be found at www.ams.usda.gov/rules-regulations/moa/dairy/organic-amendment. USDA is currently considering the proposal and has 30 days from the day of receipt (or by October 29, 2015) to deny it, request more information from the proponent, or issue an Action Plan as to future action regarding this request. ❖

Pool Summary for All Federal Orders, January–September, 2014–2015

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2014	2015	Change^	2014	2015	2014	2015
		pounds			percent	dollars per hundredweight		
1	Northeast	19,392,019,423	19,628,544,598	1.2	2.13	0.91	24.86	16.95
5	Appalachian	4,195,382,536	4,220,148,143	0.6	N/A	N/A	25.98	18.42
6	Florida	2,069,639,783	2,039,735,659	(1.4)	N/A	N/A	28.10	20.81
7	Southeast	4,014,896,231	3,922,871,089	(2.3)	N/A	N/A	26.47	19.16
30	Upper Midwest	25,219,942,061	21,643,916,747	(14.2)	0.28	0.09	23.00	16.12
32	Central	11,487,888,775	10,638,544,004	(7.4)	0.67	0.07	23.40	16.10
33	Midwest	12,762,284,403	13,657,628,130	7.0	1.02	0.06	23.74	16.10
124	Pacific Northwest	6,229,097,392	4,458,702,160	(28.4)	0.61	(0.65)	23.33	15.38
126	Southwest	9,476,559,201	8,396,521,622	(11.4)	1.43	0.95	24.16	16.99
131	Arizona	3,652,357,474	3,594,143,556	(1.6)	N/A	N/A	23.88	15.80
All Market Total/Average		98,500,067,279	92,200,755,708	(6.4)	1.02	0.24	24.69	17.18

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

^ A significant volume of milk was depooled during 2015.



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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	732,879,952	\$12.33	90,364,098.08	
Butterfat	14,960,635	2.1978	32,880,483.60	
Less: Location Adjustment to Handlers			(2,674,401.80)	\$120,570,179.88
Class II— Butterfat	29,830,652	2.7601	82,335,582.60	
Nonfat Solids	46,321,679	0.6567	30,419,446.62	112,755,029.22
Class III— Butterfat	23,341,278	2.7531	64,260,872.45	
Protein	16,340,126	1.9801	32,355,083.48	
Other Solids	30,890,426	0.0465	1,436,404.78	98,052,360.71
Class IV— Butterfat	10,458,999	2.7531	28,794,670.13	
Nonfat Solids	25,741,379	0.6266	16,129,548.14	44,924,218.27
Total Classified Value				\$376,301,788.08
Add: Overage—All Classes				17,828.23
Inventory Reclassification—All Classes				644,346.35
Other Source Receipts	314,269 Pounds			17,895.02
Total Pool Value				\$376,981,857.68
Less: Producer Component Valuations @ Class III Component Prices				(349,154,558.47)
Total PPD Value Before Adjustments				\$27,827,299.21
Add: Location Adjustment to Producers				11,745,623.95
One-half Unobligated Balance—Producer Settlement Fund				926,982.07
Less: Producer Settlement Fund—Reserve				(1,019,444.71)
Total Pool Milk & PPD Value	2,122,605,407 Producer pounds			\$39,480,460.52
Producer Price Differential		\$1.86		
Statistical Uniform Price		\$17.68		

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

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2015

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

October Pool Price Calculation

The October 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.60 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 \$18.86 per hundredweight. The October statistical uniform price was 8 cents per hundredweight below the September price. The October producer price differential (PPD) at Suffolk County was \$2.14 per hundredweight, an increase of 28 cents per hundredweight from last month.

Product Prices Effect

Similar to last month, October product prices for butter and nonfat dry milk rose while cheese and dry whey declined. Butter rose 13 cents per pound, equating to a nearly 16-cent per pound increase in the butterfat component price, which was the highest butterfat price ever for the month of October since Federal Order Reform. Cheese dropped 3.5 cents per pound, resulting in a 28-cent drop in the protein component price and the lowest protein price ever reported for October. Nonfat dry milk's 9-cent per pound increase equaled a similar rise in the nonfat solids price; dry whey and the corresponding other solids price declined slightly.

The Class I price was down 50 cents per hundredweight from the previous month, and the Class III price declined 36 cents per hundredweight. The Class II price rose \$1.08 per hundredweight from September, while the Class IV price jumped \$1.35 per hundredweight. Combined with the class utilizations, these prices resulted in a slight decline in the statistical price but an increase in the PPD.

Highs and Lows

The volume for October was the second highest ever for the month. For the first time this year, the Class I volume was over 800 million pounds, but it still was the lowest ever recorded for the month. The Class IV volume was the highest ever for the month of October, the 17th straight month that it has set a new monthly record.

The average producer butterfat test set a new record high and was 0.04 points above the previous record. The average producer other solids test tied with 2010, 2012, and 2014 as a record high for the month. ❖

Pool Summary

- A total of 11,791 producers were pooled under the Order with an average daily delivery per producer of 5,844 pounds.
- Pooled milk receipts totaled 2.136 billion pounds, a decrease of 2.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 37.6 percent of total milk receipts, an increase of 2.4 percentage points from September.
- The average butterfat test of producer receipts was 3.85 percent.
- The average true protein test of producer receipts was 3.14 percent.
- The average other solids test of producer receipts was 5.73 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	37.6	804,040,242
Class II	23.2	495,628,237
Class III	24.8	529,151,784
Class IV	14.4	307,150,915
Total Pooled Milk		2,135,971,178

Producer Component Prices

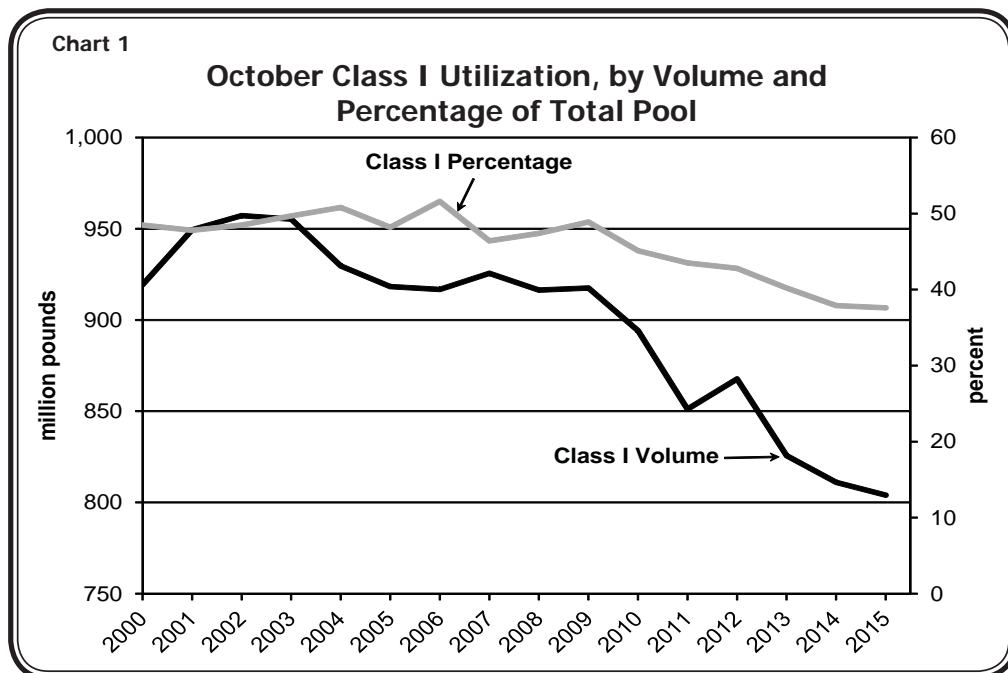
	2015	2014
	\$/lb	
Protein Price	1.7019	3.7362
Butterfat Price	2.9087	2.8507
Other Solids Price	0.0328	0.4670

Class Price Factors

	2015	2014
	\$/cwt	
Class I	19.09	27.44
Class II	16.44	21.93
Class III	15.46	23.82
Class IV	16.43	21.35

Class I Utilization Trends

October's Class I utilization in the Northeast by volume (804.0 million pounds) and by percentage (37.6) continued to hit record low levels for the month. This has been the case for 48 of the past 50 months. However, as depicted in Chart 1, the rate of decline in October's Class I utilization appears to have slowed. In October, year-over-year Class I utilization declined an average of 2.4 percent since 2009 by volume, but declined just 0.9 percent in 2015. By percent of total Northeast Order pool volume for the month of October, Class I declined an average of 4.9 percent per year since 2009, but declined just 0.8 percent in 2015.



In Area Sales by Milk Type Show Changes

Using data from the Northeast Market Administrator's *Monthly Statistical Report*, Chart 2 presents changes over time for Class I in-area fluid milk sales. In-area sales refer to sales of fluid milk products that occur within the geographic area defined as the Northeast Marketing Area. The table uses 12-month moving averages in order to smooth seasonality beginning with December 2006. A fairly strong decline in whole milk sales between 2006 and 2012 can be seen. This period had very small increases in percent of sales that reduced fat, low fat, and fat-free accounted for. Since 2012, whole milk sales have been growing as a percent of all in-area sales, while the fat-free milk portion of sales has declined. More recently, reduced-

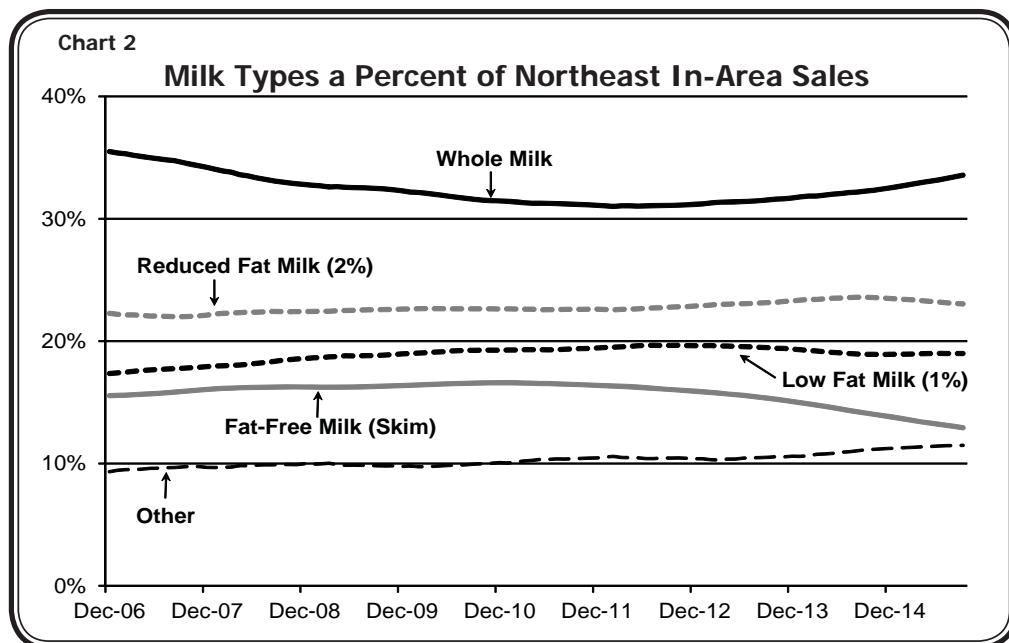
fat milk sales have begun to account for fewer sales. The "other" category has shown more notable growth since 2013 as well. The "other" category includes organic milk and drinks, flavored milk and drinks, buttermilk, eggnog and miscellaneous products.

Recent Reports Leading to Within Category Switching?

During the last few years, medical journals to popular media have been reporting the benefits of full fat dairy and whole milk. Much of the discussion often compares whole milk to lesser fat milk options. Northeast Order in-area sales data presented in Chart 2 seem to support the idea that consumers may be trading lower fat options for whole milk, within the category. Since Class I utilization continues to decline, it can't yet be said that consumers that left fluid milk are returning, but it's possible that the more rapid departure from fluid milk all together has, at least, slowed.

Price Response?

The Northeast Order Class I price for October 2015 was \$19.73 per hundredweight. This is 28 percent below the Class I price for October 2014 and the lowest for October since 2009. Fluid milk sales may be aided by consumers' response to notably lower prices, and the result is the slower decline in Class I utilization. ❖



Contribution to Producer Price by Components

The statistical uniform price (SUP) varies each month based on the respective average component tests, prices of each component, utilization of producer milk by class, and the value of the producer price differential (PPD). The accompanying chart shows the proportion components contributed to for the weighted average SUP for the month of October for the years 2000, 2005, 2010, and 2015.

Contribution of Total Gross Payment,* October								
	2000				2005			
	Test percent	Price per pound	Gross dollars	Contribution percent	Test percent	Price per pound	Gross dollars	Contribution percent
Butterfat	3.73	1.2444	\$4,641.61	33.9	3.74	1.8256	\$6,827.74	41.2
True Protein	3.05	1.8028	\$5,498.54	40.1	3.10	2.3780	\$7,371.80	44.5
Other Solids	5.67	0.0471	\$267.06	1.9	5.67	0.1491	\$845.40	5.1
PPD		3.30	\$3,300.00	24.1		1.53	\$1,530.00	9.2
Total gross payment			\$13,707.21				\$16,574.94	
Gross price per cwt			\$13.71				\$16.57	
	2010				2015			
	Test percent	Price per pound	Gross dollars	Contribution percent	Test percent	Price per pound	Gross dollars	Contribution percent
Butterfat	3.77	2.4436	\$9,210.32	47.0	3.85	2.9087	\$11,198.50	59.3
True Protein	3.13	2.4739	\$7,733.66	39.4	3.14	1.7019	\$5,343.97	28.3
Other Solids	5.73	0.1736	\$994.12	5.1	5.73	0.0328	\$187.94	1.0
PPD		1.67	\$1,670.00	8.5		2.14	\$2,140.00	11.3
Total gross payment			\$19,608.10				\$18,870.41	
Gross price per cwt			\$19.61				\$18.87	

*For a hypothetical farm producing 100,000 pounds of milk at pool average component tests.

Butterfat and Protein

Proportions vary due to a multitude of factors. As the chart shows, depending on the combination of a component's price and test, the proportion changes. For example, the protein price and test for October 2010 were both higher than those in 2000 and 2005, but the butterfat price and test for October 2010 were considerably higher than in both of those years, resulting in protein contributing a smaller proportion of the gross payment than butterfat. In 2015, the butterfat price and test were both record-setting and, correspondingly, contributed the highest proportion of the total price and the largest proportion of the examples shown.

Other Solids

Butterfat and protein tend to have the largest proportions of the overall value. Conversely, other solids usually have the smallest proportion. In the examples, 2010 and 2015 had the same other solids test but the 2010 higher price resulted in a 5 percent contribution versus the 1 percent in 2015 when the price was considerably smaller. A similar situation is seen when comparing 2000 and 2005.

PPD Value

As the chart also shows, the percentage that the PPD contributed varies and its proportion is not only a reflection of a higher overall price, but is impacted by the utilization of milk in the pool as well as the amount of difference between the respective class prices and the SUP. For example, in 2000, the PPD equaled \$3.30 per hundredweight and contributed 24 percent of the total price, yet the SUP was only \$13.71 per hundredweight.

Effect in 2015

In 2015, it is the combination of recent high tests and butterfat prices that are resulting in the higher value of butterfat accounting for nearly 60 percent of the average producer gross price for the month. In fact, during no other month since January 2000 has the butterfat price been as far above the protein price as October 2015. This relative pricing is a large contributor to such high butterfat value contribution. ❖

Organic Hearing Request Update

As mentioned in last month's *Bulletin*, in late September USDA received a request from the Organic Trade Association to hold a national hearing amending all Federal Milk Marketing Orders (FMMO) concerning how organic milk would be treated for pricing and pooling purposes under FMMOs. Under the rules for amending a Federal Order, USDA could determine that such a request was sufficiently supported to grant a hearing, deny the requested hearing while providing explanation, or request additional information from the requesting party before making a determination as how to proceed with the request. In late October, USDA requested additional information from the hearing proponent to be provided by November 29. This additional information will be considered along with the original request as USDA considers how to proceed with the hearing request. The proposal can be found at www.ams.usda.gov/rules-regulations/moa/dairy/organic-amendment. ❖



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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	787,627,729	\$9.82	77,345,042.99	
Butterfat	16,412,513	2.7477	45,096,661.97	
Less: Location Adjustment to Handlers			(2,829,731.46)	\$119,611,973.51
Class II— Butterfat	30,494,110	2.9157	88,911,676.50	
Nonfat Solids	42,912,589	0.7178	30,802,656.42	119,714,332.92
Class III— Butterfat	23,563,597	2.9087	68,539,434.58	
Protein	16,569,934	1.7019	28,200,370.68	
Other Solids	30,152,552	0.0328	989,003.68	97,728,808.94
Class IV— Butterfat	11,676,983	2.9087	33,964,840.43	
Nonfat Solids	27,249,054	0.7200	19,619,318.88	53,584,159.31
Total Classified Value				\$390,639,274.68
Add: Overage—All Classes				4,542.62
Inventory Reclassification—All Classes				414,142.02
Other Source Receipts	495,182 Pounds			19,471.72
Total Pool Value				\$391,077,431.04
Less: Producer Component Valuations @ Class III Component Prices				(357,055,772.52)
Total PPD Value Before Adjustments				\$34,021,658.52
Add: Location Adjustment to Producers				11,686,445.13
One-half Unobligated Balance—Producer Settlement Fund				901,839.96
Less: Producer Settlement Fund—Reserve				(889,563.49)
Total Pool Milk & PPD Value	2,136,466,360 Producer pounds			\$45,720,380.12
Producer Price Differential		\$2.14		
Statistical Uniform Price		\$17.60		

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

The Market Administrator's

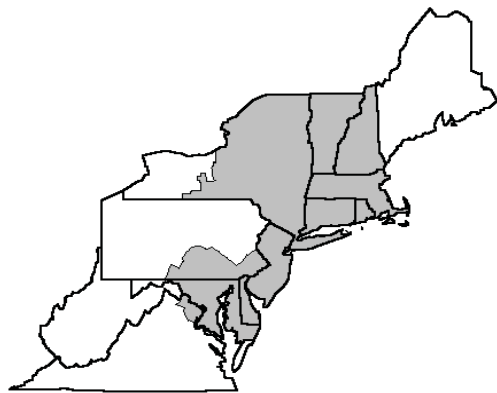
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

November 2015

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

November Pool Price Calculation

The November 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.32 per hundredweight (cwt) 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 \$19.74 per cwt. The November statistical uniform price was 72 cents per cwt above the October price. The November producer price differential (PPD) at Suffolk County was \$3.02 per cwt, an increase of 88 cents per cwt from last month.

Product Prices Effect

During November product prices for nonfat dry milk declined 6 cents per pound, cheese fell 3 cents per pound, and dry whey rose slightly. The only dramatic change was in butter, which jumped 23 cents per pound. This resulted in a 27-cent increase in the butterfat component price to \$3.1830 per pound, the highest ever for the month of November and the second highest ever since Federal Order Reform. The cheese price decline translated into a 38-cent per pound drop in the protein component price to \$1.3205 per pound, the second lowest ever for November and the third lowest protein price since reform. The prices for nonfat solids and other solids followed the same patterns as nonfat dry milk and dry whey, respectively, and resulted in record low nonfat solids price for the month and the second lowest other solids ever for November.

All class prices rose except Class III, which declined 16 cents per cwt. The Class I price increased 64 cents per cwt from the previous month, the Class IV price rose 46 cents per cwt, and the Class II price jumped \$1.82 per cwt. When combined with the class utilizations, these changes resulted in both a higher statistical uniform price and a larger PPD.

Utilization Highlights

The volume for November was the highest ever for the month. For the second time this year, the Class I volume was above the same month from the previous year. Both the Class II and Class IV volumes were the second highest ever for the month of November. This was the first month in a year and a half that Class IV did not set a record when compared to the same month previous year. ❖

Pool Summary

- A total of 11,668 producers were pooled under the Order with an average daily delivery per producer of 5,948 pounds.
- Pooled milk receipts totaled 2.082 billion pounds, a decrease of 0.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 36.3 percent of total milk receipts, a decrease of 1.3 percentage points from October.
- The average butterfat test of producer receipts was 3.88 percent.
- The average true protein test of producer receipts was 3.16 percent.
- The average other solids test of producer receipts was 5.72 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	36.3	755,231,370
Class II	23.4	487,371,156
Class III	25.7	536,217,231
Class IV	14.6	303,125,587
Total Pooled Milk		2,081,945,344

Producer Component Prices

	2015	2014
	\$/lb	
Protein Price	1.3205	3.9018
Butterfat Price	3.1830	2.2011
Other Solids Price	0.0361	0.4505

Class Price Factors

	2015	2014
	\$/cwt	
Class I	19.73	27.31
Class II	18.26	19.91
Class III	15.30	21.94
Class IV	16.89	18.21

Looking Toward 2016

Based on current projections, the uniform price at Boston, MA, will finish the year averaging a little over \$17.00 per hundredweight (cwt) for 2015. This is a 29 percent decrease from 2014, or about a \$7.00 per cwt drop, albeit from a record high level. At the same time, the annual average corn price projects to finish 2015 dropping by almost 10 percent from its 2014 level, if Chicago Mercantile Exchange corn futures play out as they settled on December 11. Looking back, the average annual Northeast Order Statistical Uniform Price (SUP), corn, and soybean prices for 2015 are very similar to their respective average levels in 2010. We'll take a look at supply and demand factors as we head toward the new year, look at how milk prices and selected input prices have moved with respect to each other, and present a futures market based forecast for the milk price in 2016.

Supply Factors

Last year at this time, USDA forecast an all-time high U.S. milk production level. Northeast Order pool volume has set a record high level through 11 months (not including depooling that occurred in May and June), and will likely set a new record high for the year. Though pooled volume does not equate to total milk production, it is indicative of how strong milk production has been. Year-over-year milk production growth in the top 23 milk producing states, as reported by the National Agricultural Statistics Service *Milk Production* report, grew an average of 1.7 percent for the first five months of the year. This was growth following a strong production year. Milk production growth has averaged less, 0.7 percent, from June on, and October saw

just a 0.1 percent increase over the previous October. These statistics suggest production nationally may be responding to lower margins. However, more regionally, there remain pockets of stronger growth. New York's milk production averaged 2.7 percent year-over-year growth each month from June on, and grew 2.4 percent in October.

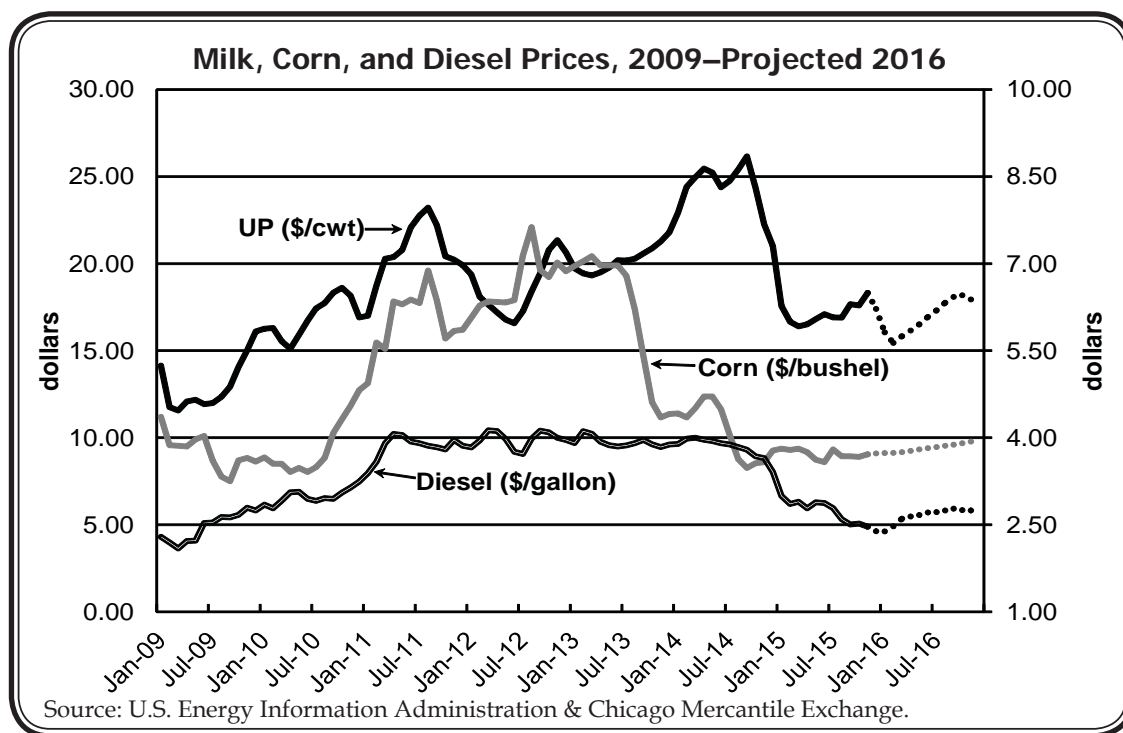
Stocks of dairy products in the U.S. have been building. October stocks of butter were 21.0 percent higher than a year ago and 25.3 percent higher than the 5-year average for the month. October total cheese stocks were 15.4 percent higher than a year ago and 12.9 percent higher than the 5-year average. Nonfat dry milk stocks were 1.5 percent below a year ago, but still 36.6 percent above the 5-year average for the month. October dry whey stocks were 4.2 percent higher than a year ago and 29.8 percent above the 5-year average.

Demand Factors

The U.S. exported 14.3 percent of its milk production, on a total milk solids basis, for the period January through September 2015. This compares with 15.7 percent for the same period a year earlier, however, most exports were at significantly lower prices. Globally, milk production was stronger than markets required, increasing inventories for buyers, then sellers, and putting downward pressure on world prices. These inventories are expected to keep the brakes on price recovery until they are worked through. Additionally, China's reduced import volume coupled with Russia's import embargo continued to be a drag on overall demand throughout 2015. These two factors will still impact global dairy markets in the upcoming year

as Russia's trade ban is expected to continue and China's imports are expected to stabilize in 2016, but not increase.

Export markets are influenced by currency exchange rates that impact relative value of U.S. dairy products. Slow but steady U.S. economic growth in 2015, while the global economy has faced challenges such as the financial crises in Europe and disappointing growth in emerging economies, have resulted in a generally stronger U.S. dollar. This makes U.S. products relatively *(continued on page 3)*



Looking *(continued from page 2)*

more expensive on the global market. U.S. products must either be priced lower to maintain competitiveness or lose market share and have to find a home domestically; both have happened to some degree. Still, export levels of 14.3 percent of U.S. production are considered robust historically and play a significant role in the U.S. dairy demand equation.

As potential upside to global dairy prices, some analysts point to the weather phenomenon El Niño potentially adversely impacting production in some large milk production regions, while current economics would not warrant feed purchases if pastures dry up. There is some thinking, however, that the greater potential is for the new lack of European Union quotas, coupled with a depreciation of the euro, leading to more downside in global prices.

Domestic Situation

With strong global milk production, the U.S. domestic market will continue to be counted on as a home to the large majority of milk produced here. We'll briefly look at some demand indicators important to dairy consumption to get a feel for what to expect from the domestic market. The unemployment rate has declined steadily since its high near 10 percent in 2009 and has been below 6 percent since September 2014. In October, the Restaurant Performance Index (that tracks the health and outlook of the U.S. restaurant industry) was above 100 for the 32nd consecutive month, driven by stronger same-store sales and traffic and a more optimistic outlook among operators. Values above 100 signify expansion in the industry. Restaurant sales are an important outlet for dairy products and so the index is used as an indicator of domestic dairy sales. The Consumer Confidence Index remains below 100, indicating soft demand, but at 88.7 in November, is near levels last reached in 2007. November's index dropped to 90.4 in November, from 99.1 in October, which also experienced a moderate drop. Most indicators suggest reason to have some optimism in the domestic market in 2016.

Looking to 2016

The USDA forecasts the U.S. all-milk price for 2016 to range between \$15.95 and \$16.75 per cwt. Using Chicago Mercantile Exchange (CME) futures prices from December 11 for Class III and Class IV milk, the Northeast Order SUP projects to finish 2015 averaging \$17.16 per cwt for the year, \$0.50 below what was forecast at this time last year; 2015 played out largely as expected. Again, using the December 11 CME futures prices, the 2016 Northeast SUP is forecast to average \$17.04 per cwt for the year.

Milk Price May Be Similar to 2015, But so May Be Input Costs

All indications are that milk prices may remain soft in 2016, remaining close to 2015 levels. While milk prices remain lower, relative to 2013 and 2014 levels,

so to are the price of inputs such as feed and fuel. The accompanying chart presents historical and projected prices for the Northeast Order SUP of milk, NASS *Agricultural Prices* and CME futures corn prices, and U.S. Energy Information Administration on-highway diesel fuel. A 2016 SUP that may be \$0.12 lower in 2016, will meet a corn price that may be about \$0.10 per bushel higher and a diesel fuel price that is about \$0.05 per gallon cheaper. ❖

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2016 Payment Dates to Producers

The calendar below shows the dates for partial payments to producers that are not members of cooperatives. Partial payments are paid to producers for the milk received by pool handlers during the first 15 days of the month and are paid at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. As required by the Order, payment must be made so that a producer receives it no later than the date shown. The table dates vary due to weekends and national holidays.

The final payment date that non-member producers must be paid is dependent on the date that the statistical uniform price is announced. Each month, the date that final payments to producers must be received by is printed on the back of the Pool Price Announcement. The final payment is for the remaining milk received and is priced such that the producer should receive an average price for the entire month's milk at roughly the uniform price with adjustments for zone differential, component values, and other deductions relevant to that producer.

Producers that are members of cooperatives usually receive payments at the same time, although it is not required by the Order. ❖

Month Milk Produced	Required Producer Payments Under the Northeast Order	
	Partial Payment Due	
	Day	Date
January	Tuesday	1/26/16
February	Friday	2/26/16
March	Monday	3/28/16
April	Tuesday	4/26/16
May	Thursday	5/26/16
June	Monday	6/27/16
July	Tuesday	7/26/16
August	Friday	8/26/16
September	Monday	9/26/16
October	Wednesday	10/26/16
November	Monday	11/28/16
December	Tuesday	12/27/16

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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	739,021,779	\$9.90	73,163,156.12	
Butterfat	16,209,591	2.9081	47,139,111.59	
Less: Location Adjustment to Handlers			(2,681,640.11)	\$117,620,627.64
Class II— Butterfat	30,306,070	3.1900	96,676,363.30	
Nonfat Solids	42,254,204	0.8167	34,509,008.40	131,185,371.70
Class III— Butterfat	23,124,375	3.1830	73,604,885.66	
Protein	16,956,183	1.3205	22,390,639.66	
Other Solids	30,554,983	0.0361	1,103,034.86	97,098,560.18
Class IV— Butterfat	11,045,990	3.1830	35,159,386.19	
Nonfat Solids	27,005,009	0.6627	17,896,219.48	53,055,605.67
Total Classified Value				\$398,960,165.19
Add: Overage—All Classes				160,378.41
Inventory Reclassification—All Classes				359,807.66
Other Source Receipts	398,695 Pounds			20,591.63
Total Pool Value				\$399,500,942.89
Less: Producer Component Valuations @ Class III Component Prices				(348,053,368.40)
Total PPD Value Before Adjustments				\$51,447,574.49
Add: Location Adjustment to Producers				11,355,508.47
One-half Unobligated Balance—Producer Settlement Fund				926,114.55
Less: Producer Settlement Fund—Reserve				(842,407.49)
Total Pool Milk & PPD Value	2,082,344,039 Producer pounds			\$62,886,790.02
Producer Price Differential		\$3.02		
Statistical Uniform Price		\$18.32		

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

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

December 2015

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

December Pool Price Calculation

The December 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.27 per hundredweight (cwt) 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 \$18.52 per cwt. The December statistical uniform price was \$1.05 per cwt below the November price. The December producer price differential (PPD) at Suffolk County was \$2.83 per cwt, a decrease of 19 cents per cwt from last month.

Product Prices Effect

During December all product prices declined. Cheese dropped 7 cents per pound, nonfat dry milk declined 4 cents per pound, dry whey decreased slightly, and butter plummeted nearly 23 cents per pound. These changes translated to decreases of nearly 28 cents per pound in the butterfat component price, nearly 5 cents per pound in the nonfat solids price, and a slight decline in the other solids price. The protein component price rose about 4 cents per pound due to the decrease in the butterfat price.

The Class I price was 23 cents higher in December than November, calculated before the dramatic decline in butter. All other class prices dropped: Class II was down \$1.55; Class III fell \$0.86; and Class IV declined \$1.37, all on a per cwt basis. Class utilizations for Classes I and II declined while III and IV rose. These changes, combined with the class price changes, resulted in both a lower PPD and SUP.

Highs and Lows

Total pool volume for December was the highest ever for the month while the Class I volume was the lowest ever for the month. For the first time in December, Class I volume was below 800 million pounds. Class II volume was the lowest for the year. Class IV volume was the second highest ever for the month.

Even though the butterfat price dropped, it was still the highest ever for the month of December. The nonfat solids price was the lowest ever for December and the second lowest ever since the Order's inception.

The average producer other solids test tied with 2012 and 2014 as a record high for the month. ❖

Pool Summary

- A total of 11,690 producers were pooled under the Order with an average daily delivery per producer of 6,049 pounds.
- Pooled milk receipts totaled 2.192 billion pounds, an increase of 1.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 35.5 percent of total milk receipts, a decrease of 0.8 percentage points from November.
- The average butterfat test of producer receipts was 3.86 percent.
- The average true protein test of producer receipts was 3.14 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	35.5	778,948,107
Class II	21.2	464,099,947
Class III	26.3	576,464,266
Class IV	17.0	372,725,069
Total Pooled Milk		2,192,237,389

Producer Component Prices

	2015	2014
	\$/lb	
Protein Price	1.3599	2.7387
Butterfat Price	2.9057	2.0991
Other Solids Price	0.0355	0.3996

Class Price Factors

	2015	2014
	\$/cwt	
Class I	19.96	25.78
Class II	16.71	19.09
Class III	14.44	17.82
Class IV	15.52	16.70

2015 Northeast Order Statistics Summarized

During 2015, the volume of milk received from producers shipping to handlers regulated under the Northeast Order increased for the sixth straight year and set a new record high since the Order's inception in 2000. This is the third year in a row that total pooled volume has set a new record and the first time the annual total volume has exceeded 26 billion pounds.

The year ended with 514 less producers than at the end of 2014. Annual average daily deliveries per producer (DDP) equaled 6,071 pounds, an increase of 4.4 percent from 2014 and the first time the annual average was over 6,000 pounds. Unlike 2014, when the uniform price also was a record-high for the Order, the 2015 annual average uniform price was the lowest in 5 years.

The accompanying table compares selected pool statistics for 2014 and 2015.

Class Utilization Changes

Class I utilization averaged 34.7 percent in 2015, a decrease of 0.7 percentage points from the previous year. The total volume of milk used in Class I continued its decline, but at a slower rate than in 2014 (down 2.0 percent versus 3.8 percent in 2014). This was the smallest Class I volume ever for the Order and the first time since the Order's inception that the annual total was below 9 billion pounds. Class II usage increased 1.2 percent, resulting in overall utilization of 24.5 percent, up from 24.2 percent in 2014.

Class III volume dropped 6.6 percent with utilization averaging 24.1 percent, down 1.7 percentage points. The amount of milk used in Class IV jumped again in 2015 (up 21 percent compared to 30.9 percent in 2014) and accounted for an annual average of 17.7 percent utilization, up 3.1 percentage points. The total volume used in Class IV set a new record high for the Order and topped 4 billion pounds for the first time ever. The strong milk production experienced during 2015, combined with less use in Class I and III and the slowing of utilization in Class II, resulted in significant increases in milk used in nonfat dry milk.

Lower Class and Component Prices

After witnessing record-setting prices in 2014 for all commodities used in calculating minimum federal order prices, 2015 experienced some of the lowest prices seen in five years on the National Dairy Products Sales Report (NDPSR). Only butter prices held during most of the year and actually set new records for the last three months of 2015. The NDPSR prices follow the Chicago Mercantile Exchange (CME) prices where the butter price reached a new peak in late September at \$3.1350 per pound. Overall, the NDPSR butter price was the

Northeast Order Pool Statistics, 2014–2015

Pool Statistics	2014	2015	2014-15
	million pounds		Change
			percent
Class I	9,122.9	8,943.4	(2.0)
Class II	6,247.0	6,322.4	1.2
Class III	6,659.1	6,219.1	(6.6)
Class IV	3,763.9	4,553.8	21.0
Total	25,792.9	26,038.7	1.0
	pounds		
DDP	5,813	6,071	4.4
	utilization percentage		change
Class I	35.4	34.7	(0.7)
Class II	24.2	24.5	0.3
Class III	25.8	24.1	(1.7)
Class IV	14.6	17.7	3.1
	dollars/cwt		percent
Class I	26.54	19.59	(26.2)
Class II	23.34	15.48	(33.7)
Class III	22.34	15.80	(29.3)
Class IV	22.09	14.35	(35.0)
SUP	24.28	17.14	(29.4)
Producer Component:			
Tests:	percent		change
Butterfat	3.78	3.78	0.00
Protein	3.08	3.07	(0.01)
Other Solids	5.73	5.75	0.02
Prices:	dollars/lb		percent
Butterfat	2.3792	2.2954	(3.5)
Protein	3.7935	2.2393	(41.0)
Other Solids	0.4684	0.1867	(60.1)
Nonfat Solids	1.5844	0.7265	(54.1)

second highest ever reported at \$2.0670 per pound (record high was in 2014 at \$2.1361). Cheese prices began dropping late 2014 and continued declining, with a slight upturn in the summer months, and ended the year at \$1.6454, down nearly 24 percent from 2014. Prices for nonfat dry milk and dry whey fell 49 and 42 percent, respectively from 2014 as reported by the NDPSR.

Lower commodity prices translated into lower component prices, lower class prices, and ultimately, lower statistical uniform prices. The price paid to producers for butterfat averaged \$2.2954 per pound, down 3.5 percent from 2014, but was still the second highest reported since the Order's inception in 2000. The per-pound annual average protein price was \$2.2393 per pound, the lowest in 6 years, and a decline of 41 percent from 2014. The other solids price dropped 60 percent and averaged \$0.1867 per pound, the lowest in 5 years. The nonfat solids price averaged \$0.7265 per pound, down 54 percent and the lowest in 11 years. (continued on page 3)

2015 Northeast Order *(continued from page 2)*

The Class I price averaged \$19.59 per hundredweight (cwt) in 2015, \$6.95 (26 percent) below the 2014 annual average. The Class II price averaged \$15.48 per cwt, down \$7.86 and 34 percent higher than the previous year. The Class III price averaged \$15.80, down \$6.54 and 29 percent from 2014. The Class IV price dropped \$7.74 to \$14.35, a decrease of 35 percent. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston), averaged \$17.14 per cwt, the lowest price since 2010, \$7.14 per cwt or 29 percent below the 2014 average.

Producer Tests

The annual average producer butterfat test equaled 3.78 percent in 2015, unchanged from the previous year, which was record-setting. Records were set during 6 months and tied in 2 months, but a few months reported considerable declines from previous records. The annual average producer protein test was 3.07 percent, down 0.01 point from 2014 and the second highest for the Order. The producer other solids test averaged 5.75 percent, up 0.02 points from the previous year and tied with the record set in 2012. ❖

Pooling Statistics by State, 2015 and 2005

The accompanying map presents the average number of producers pooled and the total volume of milk pooled on the Northeast Order, and the daily average deliveries per producer associated with those pooled volumes, by the five largest states in terms of sources of milk pooled on the Northeast. The results are based on Northeast Order pool data.

Proportion of Pool Volume by State

By volume, close to half (46.8) of the milk pooled on the Northeast Order is from New York, while a third (33.0) is pooled by Pennsylvania producers. Ten percent is pooled by Vermont producers. The top 5 states with respect to source of pool volume accounted for 95.3 percent of the Northeast Order pool. In 2005, New York accounted for about 42 percent of the pool, while Pennsylvania and Vermont were only slightly higher than their current level, at 33.8 and 11.1, respectively. Of note, milk pooled by New England states as a whole declined from 17.6 percent in 2005 to 15.7 percent in 2015. Producers from states not in the traditional Northeast milkshed accounted for 1.0 percent of pooled volume, slightly above the 2005 level of 0.8 percent.

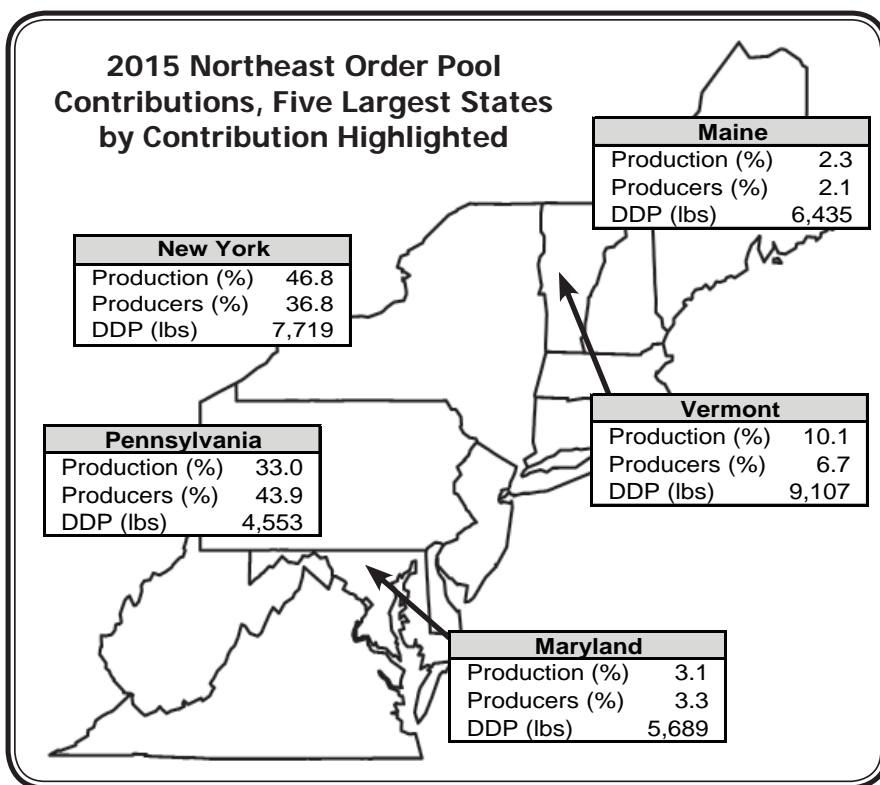
Proportion of Pooled Producers by State

By producer count, the largest percent of producers pooled on the Northeast Order in 2015 are from Pennsylvania (43.9), followed by New York (36.8). The five states highlighted on the map represent 92.8 percent of producers pooled in 2015 and 93.7 percent in 2005. Though, as noted above, New York's portion of milk pooled increased, its portion of producers pooled declined. Pennsylvania producers accounted for a larger portion

of producers, increasing by 2 percentage points since 2005. New England as a whole pooled 11.7 percent of the Northeast Order producers in 2005, down from 13.9 percent in 2005. Producers from states not in the traditional Northeast milkshed accounted for 3.6 percent of producers, up from 1.0 percent.

Daily Deliveries per Producer

Of the five states highlighted on the map, Vermont exhibited the highest average milk deliveries per day per producer (DDP) at 9,107 pounds. New York followed next at 7,719 pounds. New York's 2015 DDP is 60 percent higher than in 2005. Vermont's DDP is 53 percent higher for the same period. Pennsylvania's DDP, lowest of these five states in 2005, remains so in 2015, growing 30 percent to 4,553 pounds. ❖





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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	762,709,588	\$9.30	70,931,991.68	
Butterfat	16,238,519	3.1373	50,945,105.66	
Less: Location Adjustment to Handlers			(2,766,179.15)	\$119,110,918.17
Class II— Butterfat	28,510,586	2.9127	83,042,783.85	
Nonfat Solids	40,246,711	0.7500	30,185,033.25	113,227,817.10
Class III— Butterfat	23,812,162	2.9057	69,190,999.11	
Protein	18,160,998	1.3599	24,697,141.18	
Other Solids	33,008,432	0.0355	1,171,799.34	95,059,939.63
Class IV— Butterfat	16,076,575	2.9057	46,713,703.99	
Nonfat Solids	32,973,658	0.6153	20,288,691.77	67,002,395.76
Total Classified Value				\$394,401,070.66
Add: Overage—All Classes				112,511.99
Inventory Reclassification—All Classes				(402,755.94)
Other Source Receipts	296,249 Pounds			12,797.20
Total Pool Value				\$394,123,623.91
Less: Producer Component Valuations @ Class III Component Prices				(343,989,144.17)
Total PPD Value Before Adjustments				\$50,134,479.74
Add: Location Adjustment to Producers				12,026,848.07
One-half Unobligated Balance—Producer Settlement Fund				915,621.34
Less: Producer Settlement Fund—Reserve				(1,028,247.19)
Total Pool Milk & PPD Value	2,192,533,638 Producer pounds			\$62,048,701.96
Producer Price Differential		\$2.83		
Statistical Uniform Price		\$17.27		

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