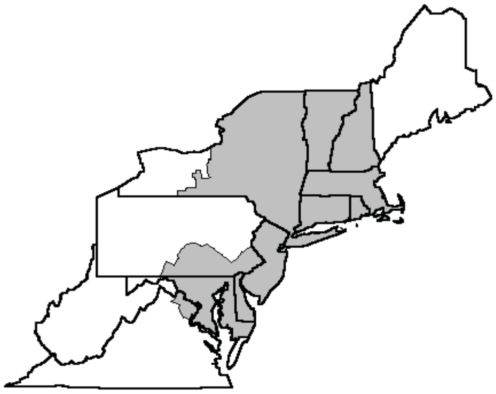

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2015 Federal Order No. 1

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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

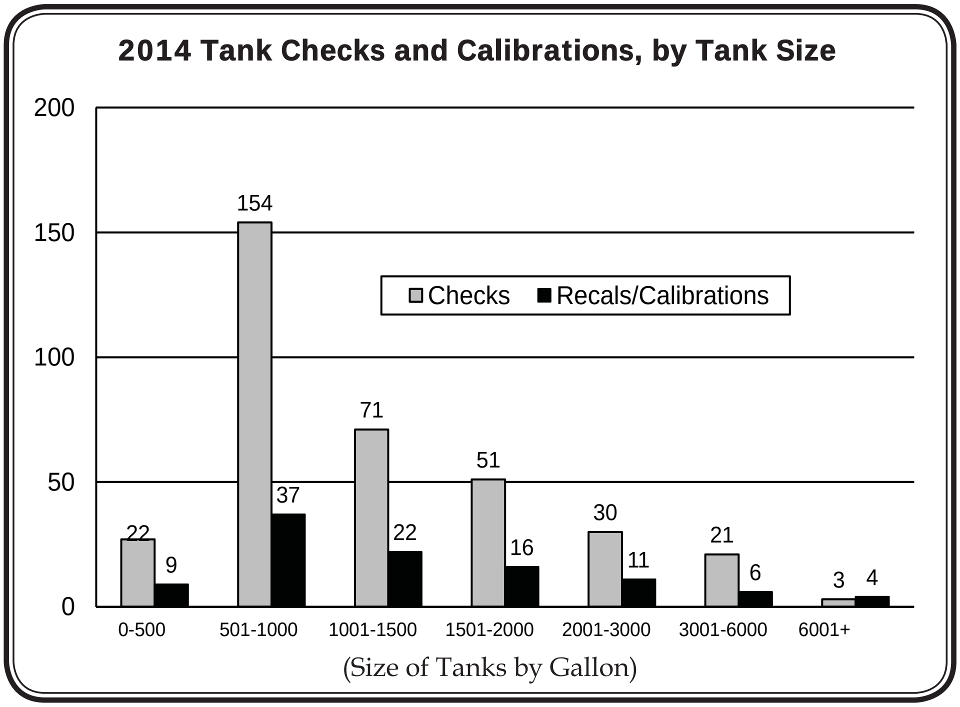
	2015	2014
	$/lb	
Protein Price	2.6731	4.1870
Butterfat Price	1.6855	1.7874
Other Solids Price	0.4001	0.4155

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.❖

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 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)

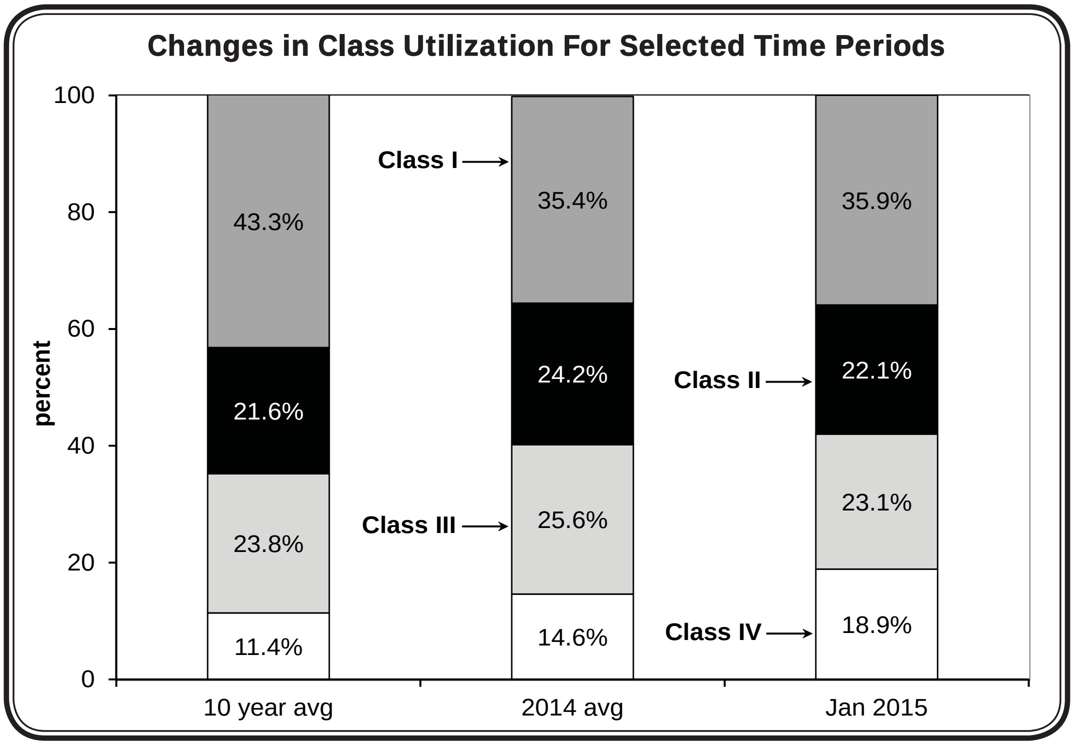
Class IV *(continued from page 2)*

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 2013	Total Producer Milk 2014	Change	Producer Price Differential# 2013	Producer Price Differential# 2014	Statistical Uniform Price#* 2013	Statistical Uniform Price#* 2014
		pounds	pounds	percent	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*

		Product Pounds	Price per cwt./lb.	Component Value	Total Value
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.