

The Market Administrator's

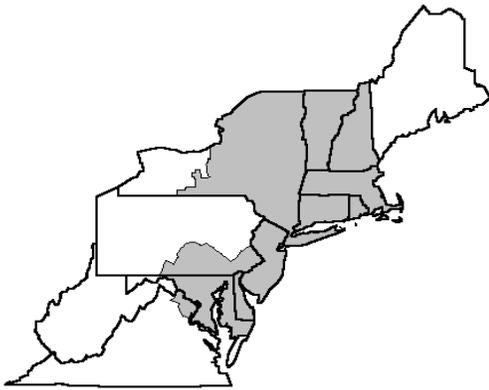
BULLETIN

NORTHEAST MARKETING AREA

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February 2015

Federal Order No. 1



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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.

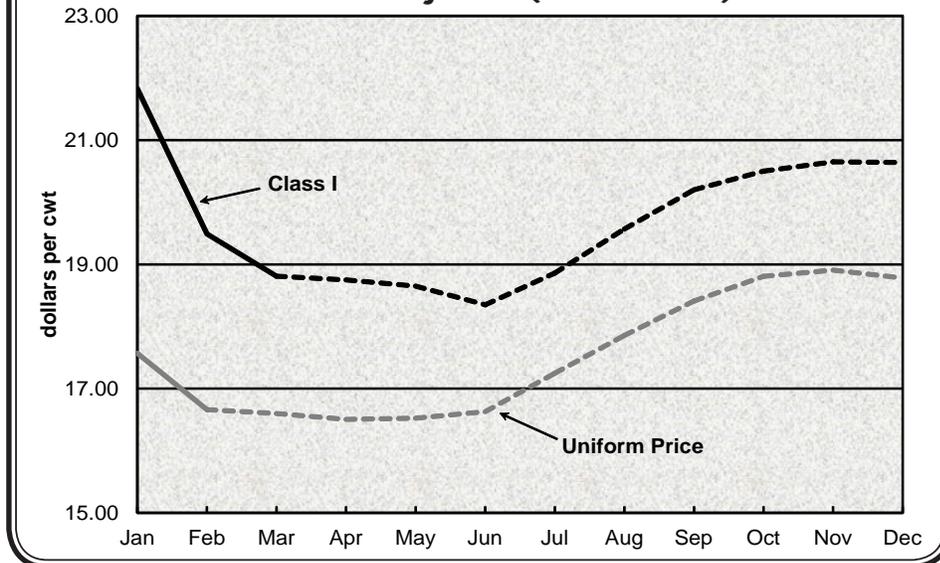
Exports

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.