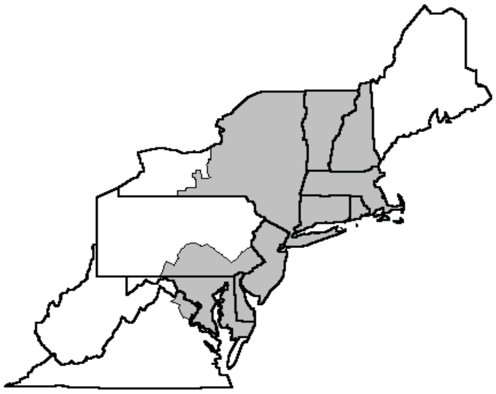

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 2015 Federal Order No. 1

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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 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.

Northeast Order Pooled Milk Receipts

Class	January–March 2014 (million pounds)	January–March 2015 (million pounds)	Yr-to-Yr Change (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

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 Number	Federal Order Name	Total Producer Milk 2014 (pounds)	Total Producer Milk 2015 (pounds)	Change (percent)	Producer Price Differential# 2014 (dollars per hundredweight)	Producer Price Differential# 2015 (dollars per hundredweight)	Statistical Uniform Price#* 2014 (dollars per hundredweight)	Statistical Uniform Price#* 2015 (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*

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