

# The Market Administrator's

# BULLETIN

## NORTHEAST MARKETING AREA

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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		
<b>1</b>	<b>Northeast</b>	<b>12,920,474,605</b>	<b>13,023,217,185</b>	<b>0.8</b>	<b>1.89</b>	<b>0.86</b>	<b>24.57</b>	<b>16.84</b>
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

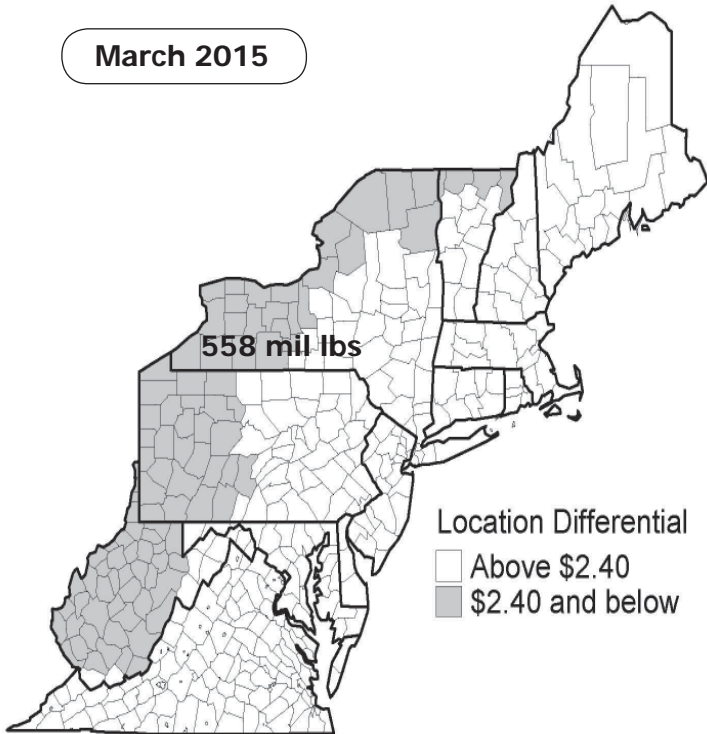
# Price at designated order location.

\* Price at 3.5% butterfat.

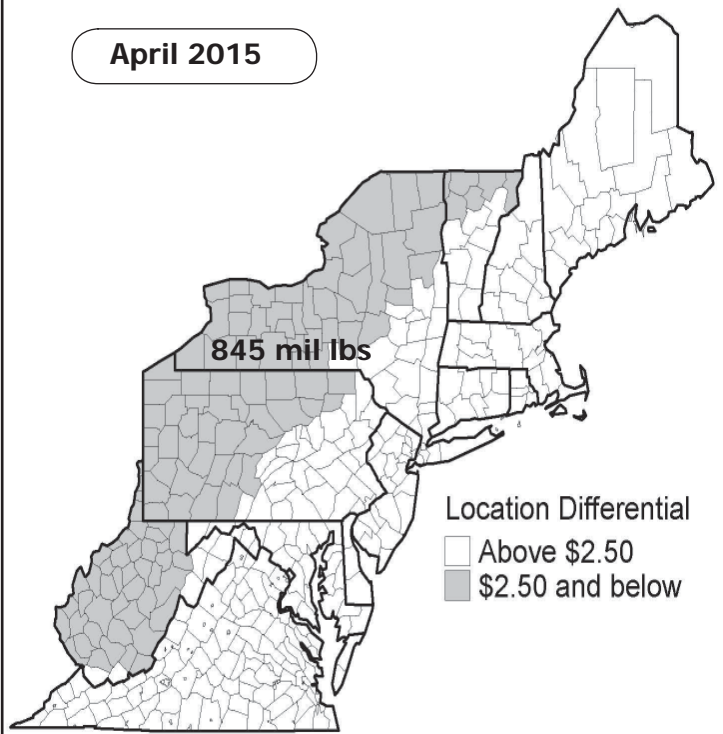
N/A = Not applicable.

### Areas Impacted by Negative PPDs, March–June 2015

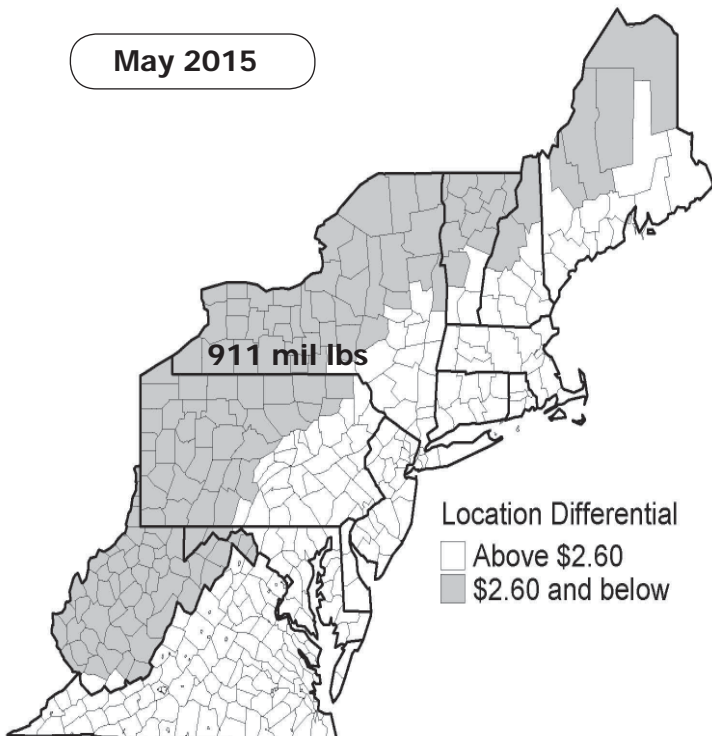
March 2015



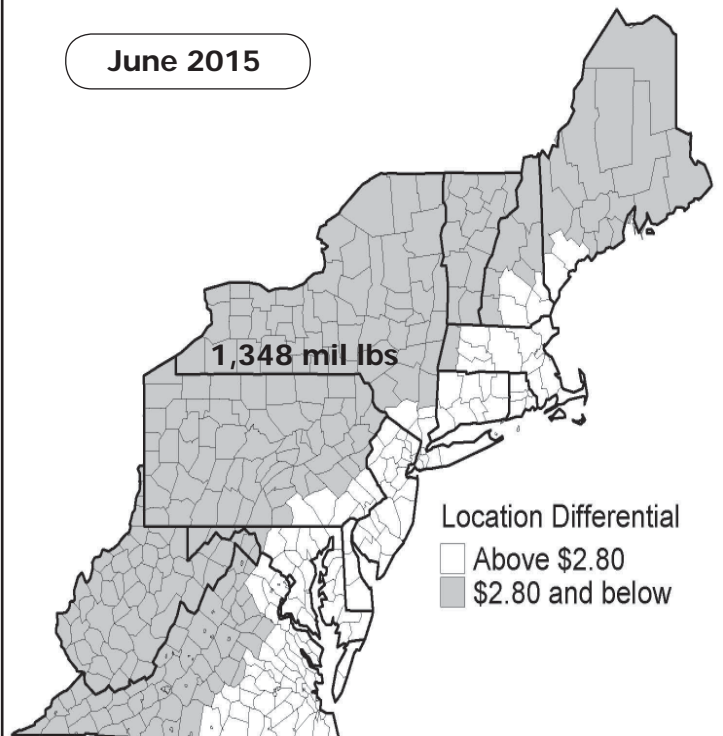
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**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	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
<b>Total Classified Value</b>				<b>\$351,516,736.10</b>
Add: Overage—All Classes				106,661.62
Inventory Reclassification—All Classes				448,528.64
Other Source Receipts	645,521 Pounds			16,119.60
<b>Total Pool Value</b>				<b>\$352,088,045.96</b>
Less: Producer Component Valuations @ Class III Component Prices				(355,336,265.76)
<b>Total PPD Value Before Adjustments</b>				<b>(\$3,248,219.80)</b>
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)
<b>Total Pool Milk &amp; PPD Value</b>	2,090,710,136 Producer pounds			<b>\$7,735,627.56</b>
Producer Price Differential		<b>\$0.37</b>		
Statistical Uniform Price		<b>\$17.09</b>		

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