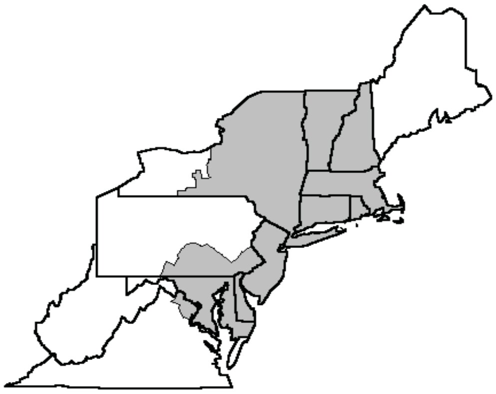

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

December 2015 Federal Order No. 1

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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.

Northeast Order Pool Statistics, 2014–2015

Pool Statistics	2014	2015	2014-15 Change
	million pounds		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)

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 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 producers 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

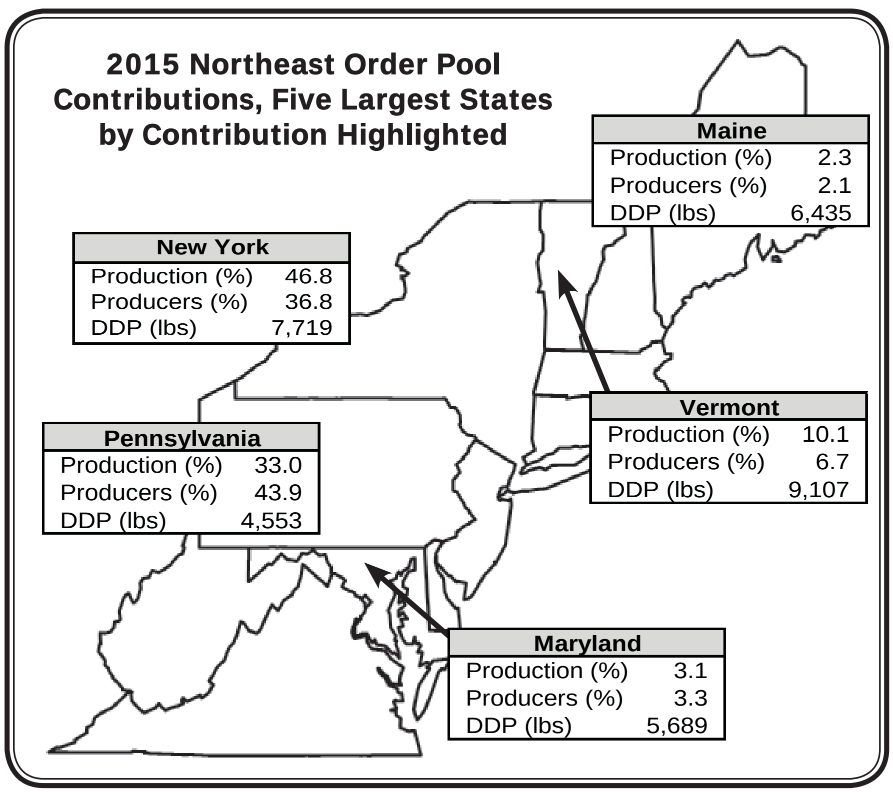
By volume, close to half (46.8) of the milk pooled on the Northeast Order is from New York, while a third (33.0) is pooled by Pennsylvania producers. Ten percent is pooled by Vermont producers. The top 5 states with respect to source of pool volume accounted for 95.3 percent of the Northeast Order pool. 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, it's 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*

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