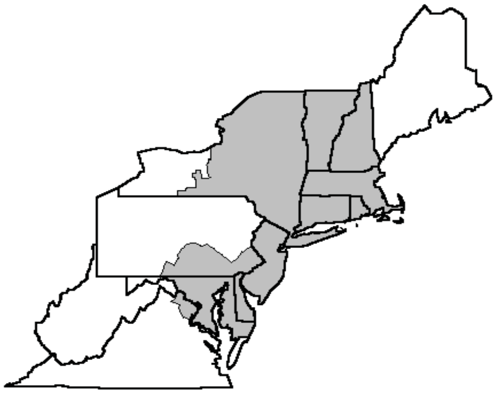


The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2016

Federal Order No. 1

To contact the Northeast Marketing Area offices:
Boston, MA: phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; *Albany, NY*: phone (518) 452-4410,
e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA*: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com;
website address: www.fmmone.com

January Pool Price Calculation

The January 2016 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $15.52 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 $16.70 per cwt. The January statistical uniform price was $1.75 per cwt below the December price. The January producer price differential (PPD) at Suffolk County was $1.80 per cwt, a decrease of $1.03 per cwt from last month.

Product Prices Effect

During January all product prices declined except dry whey that rose slightly. Cheese dropped over 5 cents per pound, nonfat dry milk declined slightly and butter plummeted nearly 50 cents per pound but was still the highest ever for January; this follows a 23-cent per pound drop in December. These changes translated to decreases of nearly 60 cents per pound in the butterfat component price, but only slight changes in the other solids and nonfat solids prices. The protein component price rose about 25 cents per pound due to the decrease in the butterfat price.

All class prices fell. The Class I price was 67 cents lower in January, Class II was down $2.52; Class III fell $0.72; and Class IV declined $2.21, all on a per cwt basis. Class I and III utilization fell while II and IV rose. These changes, combined with the class price changes, resulted in both a lower PPD and SUP.

Highs and Lows

The total volume of pooled milk for January was the highest ever for the month. Class I usage was the lowest ever for the month of January. Both Class II and IV utilizations were the second highest ever for the month.

Similar to last month, even though the butterfat price dropped, it was still the highest ever for the month of January. The nonfat solids price was the lowest ever for January and the second lowest ever for the Order.

Both the average producer butterfat and protein tests were the second highest ever for the month of January. The producer other solids test tied with 2011 and 2013 for second place high for the month.❖

Pool Summary

- A total of 11,664 producers were pooled under the Order with an average daily delivery per producer of 6,231 pounds.
- Pooled milk receipts totaled 2.253 billion pounds, an increase of 2.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 33.8 percent of total milk receipts, a decrease of 1.7 percentage points from December.
- The average butterfat test of producer receipts was 3.89 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	33.8	761,432,946
Class II	23.8	535,334,608
Class III	24.3	548,642,382
Class IV	18.1	407,675,199
Total Pooled Milk		2,253,085,135

Producer Component Prices

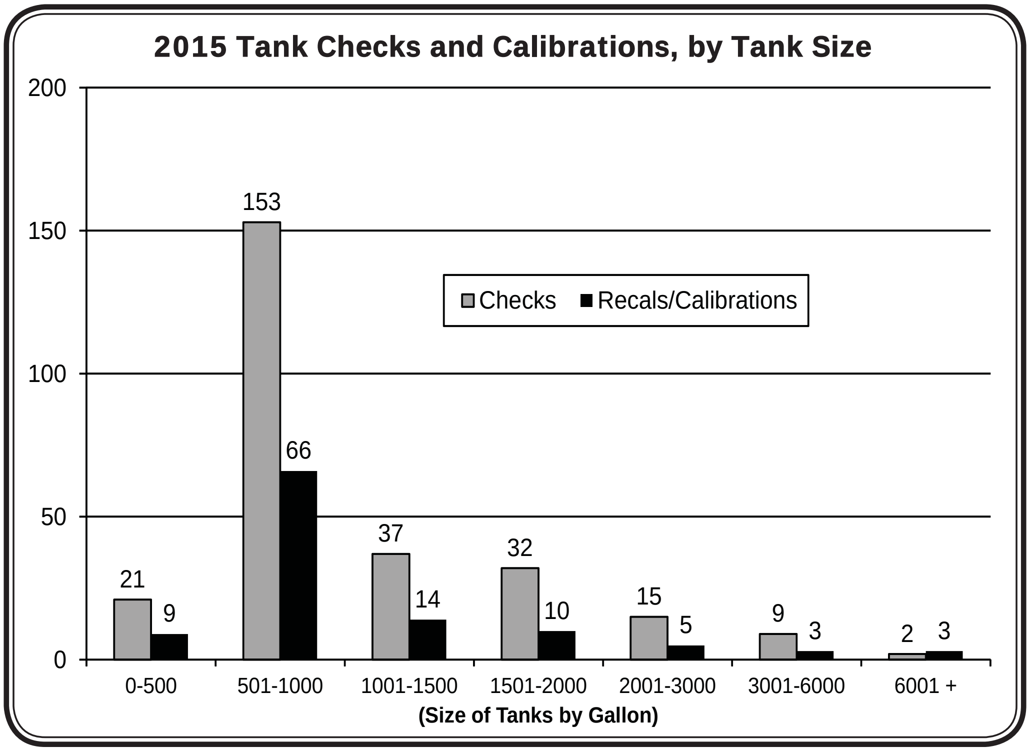
	2016	2015
	$/lb	
Protein Price	1.8169	2.6731
Butterfat Price	2.3062	1.6855
Other Solids Price	0.0371	0.4001

Class Price Factors

	2016	2015
	$/cwt	
Class I	19.29	21.83
Class II	14.19	16.18
Class III	13.72	16.18
Class IV	13.31	13.23

Market Services 2015 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 24,184 miles in 2015. The market service department checked 269 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2015 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.

Tentative Calibration Truck Schedule, 2016

Month	Area
April	Eastern and Central New York
	Southern Pennsylvania
May	Western New York
June	Central Pennsylvania
July	Central New York
	Southern Pennsylvania
August	Western New York
	Eastern New York
September	Central Pennsylvania
	Vermont, New Hampshire, and Maine
October	Southern Pennsylvania
	Central New York
November	Western New York
	Eastern New York
	Southern Pennsylvania

Checks/Calibration Results

Of the 269 tanks checked, 27 (10 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 110 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, 81 percent were 1,500 gallon tanks or smaller. The 290 checks and the 95 additional calibrations total at least 379 farm visits. A breakdown of checks and calibrations/recalibrations by tank size are shown in the accompanying table. A tentative schedule for the calibration trucks during the upcoming season will be presented in the *Bulletin* as spring approaches.❖

Federal Orders Compared

The table on page 3 is a pool summary for all federal orders and reports total producer milk pooled, year-to-year change in milk pooled, and average producer price differentials and statistical uniform prices for 2014 and 2015. It should be noted that pooled milk does not necessarily include all milk of a particular state or region regardless of the name of the federal order pooling. Some milk within the particular state or
(continued on page 3)

Federal Orders *(continued from page 2)*

region may be pooled on a state order or be considered non-order or depooled milk. During 2015, a significant volume of milk was depooled from federal orders because of disadvantageous price relationships. This was evidenced by the overall decline of 2.5 percent in milk pooled under federal orders while U.S. milk production grew 1.2 percent.

Orders Increasing

The only orders reporting increases in pooled milk were the Northeast (Order 1), Appalachian (Order 5), and Mideast (Order 33). The Mideast Order had the largest increase with 6.2 percent. Order 33's main contributing states (IN, MI, and OH) had a combined increase of 4.4 percent. In addition, Order 33 pooled and additional 3.7 percent from New York when compared to 2014. The Northeast had the second highest increase with 1.0 percent. The top contributing states in the Northeast Order (NY, PA, and VT) had a combined increase of 1.8 percent.

Orders Decreasing

The Pacific Northwest Order (Order 124) reported the largest decline in total producer milk pooled (15.8 percent) in 2015. Overall, milk production in the top contributing states (ID, OR, and WA) had a combined modest increase of 1.0 percent from 2014 to 2015. The Upper Midwest (Order 30) experienced the second largest decline (7.5 percent). Order 30 had a 13.0 percent drop in Class III usage, which accounts for nearly 80 percent of milk pooled on that order. Milk production in Order 30's top contributing states (IL, MN, SD, and WI) rose a combined 4.5 percent in 2015.

Northeast Compared to All Orders

The Northeast Order had a decline in Class I utilization (fluid drinking milk) of 2.0 percent during 2015. For the other federal orders combined, Class I utilization declined a slight 0.1 percent. During 2015, Class II utilization (soft products such as ice cream and yogurt) rose only 1.2 percent compared to the 32.8 jump for all the other orders combined. Class III usage (hard cheese such as American and Italian) in the Northeast declined 6.6 percent in 2015, less than the 14.6 percent drop for all other orders combined. For Class IV (butter and dry milk products), the Northeast had a jump of 21.0 percent in utilization, higher than the all other order combined increase of 10.2 percent. As mentioned earlier, total pooled milk in the Northeast rose 1.0 percent, a contrast to the all other order combined decrease of 3.4 percent. For a more detailed definition of the various products within each class, see page 2 of the *Monthly Statistical Report* available on our website: fmmone.com.

The Northeast Order is the second largest of the federal orders in total volume of milk pooled and accounted for 20.6 percent of the total in 2015. The Northeast ranked first in total volume of milk used in Classes I, II, and IV; the Mideast was second in all of these. The Northeast ranked second in Class III usage, a category dominated by the Upper Midwest that accounted for 48.0 percent of the total in 2015.

Typically, the Northeast Order statistical uniform price averages fairly close to the overall federal order annual average for all orders (see table). The only orders with higher average prices are Appalachian, Florida, and Southeast.❖

Pool Summary for All Federal Orders, January–December, 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			
1	**Northeast**	**25,792,969,786**	**26,038,698,509**	**1.0**	**1.94**	**1.35**	**24.28**	**17.14**
5	Appalachian	5,593,496,667	5,645,890,392	0.9	N/A	N/A	25.62	18.58
6	Florida	2,771,209,577	2,741,348,121	(1.1)	N/A	N/A	27.84	20.90
7	Southeast	5,288,969,005	5,204,719,534	(1.6)	N/A	N/A	26.21	19.29
30	Upper Midwest	32,785,024,973	30,318,026,869	(7.5)	0.24	0.16	22.58	15.96
32	Central	15,062,651,701	14,476,383,447	(3.9)	0.57	0.34	22.91	16.13
33	Mideast	17,297,061,662	18,376,366,688	6.2	0.82	0.44	23.16	16.23
124	Pacific Northwest	7,891,609,288	6,645,733,354	(15.8)	0.31	(0.20)	22.66	15.59
126	Southwest	12,137,191,892	11,890,997,395	(2.0)	1.35	1.18	23.69	16.98
131	Arizona	4,800,450,180	4,788,031,826	(0.3)	N/A	N/A	23.25	16.05
	All Market Total/Average	129,420,634,731	126,126,196,135	(2.5)	0.87	0.54	24.22	17.28

Price at designated order location.
^ A signficant volume of milk was depooled during 2015.
* 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	746,339,051	$8.86	66,125,639.92	
	Butterfat	15,093,895	3.0687	46,318,635.59	
Less:	Location Adjustment to Handlers			(2,707,731.23)	$109,736,544.30
Class II—	Butterfat	30,182,225	2.3132	69,817,522.85	
	Nonfat Solids	46,688,567	0.7011	32,733,354.29	102,550,877.14
Class III–	Butterfat	24,343,062	2.3062	56,139,969.59	
	Protein	17,245,434	1.8169	31,333,229.05	
	Other Solids	31,308,769	0.0371	1,161,555.36	88,634,754.00
Class IV–	Butterfat	18,051,339	2.3062	41,629,998.02	
	Nonfat Solids	36,043,221	0.6037	21,759,292.53	63,389,290.55
Total Classified Value					**$364,311,465.99**
Add:	Overage—All Classes				77,641.39
	Inventory Reclassification—All Classes				(478,685.10)
	Other Source Receipts	255,503	Pounds		6,327.65
Total Pool Value					**$363,916,749.93**
Less:	Producer Component Valuations @ Class III Component Prices				(335,624,496.17)
Total PPD Value Before Adjustments					**$28,292,253.76**
Add:	Location Adjustment to Producers				12,282,523.98
	One-half Unobligated Balance—Producer Settlement Fund				907,625.55
Less:	Producer Settlement Fund—Reserve				(922,271.82)
Total Pool Milk & PPD Value		2,253,340,638	Producer pounds		**$40,560,131.47**
	Producer Price Differential		**$1.80**		
	Statistical Uniform Price		**$15.52**		

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