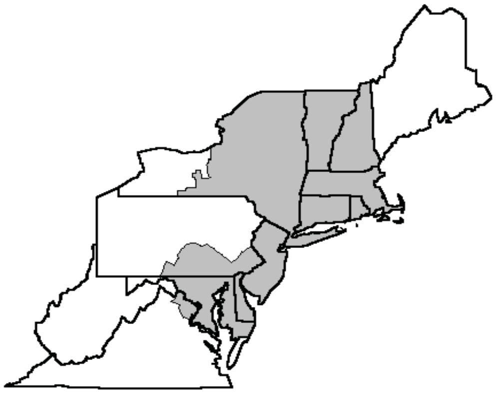


The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 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

March Pool Price Calculation

The March 2016 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.81 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 $15.81 per cwt. The March statistical uniform price was 48 cents per cwt below the February price. The March producer price differential (PPD) at Suffolk County was $1.07 per cwt, a decrease of 42 cents per cwt from last month.

Product Prices Effect

During March, all product prices declined except dry whey that had a slight increase. Butter dropped 14 cents per pound while cheese and nonfat dry milk decreased slightly. As a result, the producer butterfat component price fell 17.5 cents per pound, the nonfat solids price decreased about 2 cents and the protein price rose 18 cents per pound due to the decrease in the butterfat price. The other solids price was relatively unchanged.

The Class I price, based on the higher prices in February, increased 14 cents per cwt. All other class prices decreased: the Class II price fell 73 cents, the Class III price was down 6 cents, and the Class IV price dropped 75 cents, all on a per cwt basis. The lower prices and larger volumes in lower-priced classes (II, III, and IV), both the SUP and PPD declined from the previous month. The SUP was the lowest since October 2009.

Highs and Lows

The total volume of pooled milk for March was not only the highest ever for the month, but also the highest ever for the Order and the first time the total pooled volume was over 2.3 billion pounds for a month. Class I volume was the lowest ever for the month, while Class IV was the highest for the month of March.

The average producer butterfat test was the second highest ever for the month of March. The producer protein and other solids tests tied with previous years for record highs for the month.❖

Pool Summary

- A total of 11,450 producers were pooled under the Order with an average daily delivery per producer of 6,494 pounds.
- Pooled milk receipts totaled 2.305 billion pounds, an increase of 0.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 33.0 percent of total milk receipts, a decrease of 1.0 percentage points from February.
- The average butterfat test of producer receipts was 3.86 percent.
- The average true protein test of producer receipts was 3.10 percent.
- The average other solids test of producer receipts was 5.76 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	33.0	761,896,131
Class II	25.0	576,827,426
Class III	23.7	545,381,810
Class IV	18.3	420,916,976
Total Pooled Milk		2,305,022,343

Producer Component Prices

	2016	2015
	$/lb	
Protein Price	1.9206	2.4875
Butterfat Price	2.2028	1.8444
Other Solids Price	0.0501	0.2918

Class Price Factors

	2016	2015
	$/cwt	
Class I	17.03	18.81
Class II	13.57	14.50
Class III	13.74	15.56
Class IV	12.74	13.80

Milk Utilization By Class

In recent years, there has been a lot of focus on Class II trends in the Northeast, led by the yogurt boom leading to record high volumes and percentages of pooled receipts as Class II milk. An opposing trend in the Northeast Marketing Area in recent years has been the decline in Class I utilization and the growth in Class IV utilization. Class I utilization continues to set lows by both volume and percent, and Class IV utilization has established new highs by both volume and percent.

Classes Defined

Class I includes fluid milk that is meant to be consumed as a beverage such as whole milk, 2 percent, 1 percent, and skim. Class II includes soft dairy products such as yogurt, ice cream, and cottage cheese. It also includes high butterfat products such as whipping cream and half and half. Class III milk includes "hard" cheeses (e.g. American, Italian, and Swiss, but also cream cheese), while Class IV includes milk used to produce butter, nonfat dry milk and other dried products.

Northeast Trends

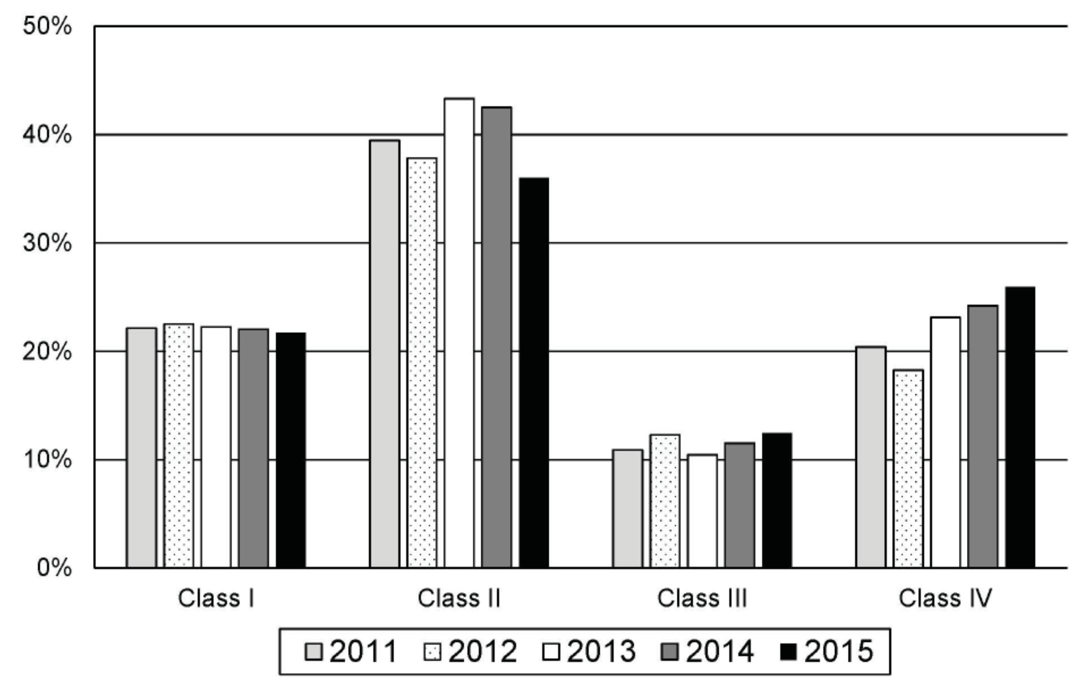
Class I utilization still leads all classes in the Northeast in terms of pounds pooled at 8.9 billion (34.3 percent) in 2015. In 2004, Class I volume for the year reached almost 10.7 billion pounds and accounted for 47.2 percent of the Northeast Order pool. More recently, Class I utilization has declined by an average 1.8 percentage points a year since 2011. Meanwhile, Class IV utilization has grown an average of 1.8 percentage points a year since 2011. Class IV represented 8.6 percent of the pool volume in 2003; it accounted for 17.5 percent for 2015. By volume, this is a 120 percent increase from 2.1 billion pounds in 2003 to roughly 4.6 billion pounds in 2015. Class IV utilization generally reflects the balancing of milk needs in the market with utilizations increasing during periods of excess milk that is not demanded in the other classes or declining when production is diminished and demand in Classes I, II, and III is strong.

Class II volume in the Northeast increased from 5.7 billion pounds in 2011 to 6.3 billion pounds in 2015, peaking at 6.6 billion pounds in 2013 along the way. Class III volume in the Northeast in 2015 (6.2 billion pounds) was slightly above the 2011 level, up 122 million pounds; it reached 6.7 billion pounds in 2014.

Northeast Proportion of All Federal Order Milk

The accompanying chart presents Northeast Order volume as a proportion of all federal order area volume from 2011 to 2015. The Northeast Order represented 20.6 percent of all milk pooled on a federal order in 2015, an increase from 19.0 percent in 2011. Class I pooled on the Northeast Order accounted for 21.7 percent of all Class I milk pooled on all federal orders in 2015, declining slightly from 22.1 percent in 2011. The Northeast accounted for 36.0 percent of all federal order Class II volume in 2015. Northeast's portion of all federal order Class II volume peaked in 2013 at 43.3 percent and has declined since; its portion of all order Class III milk was 12.5 percent in 2015, 1.6 percentage points above 2011. Growth in Class IV volume in the Northeast, highlighted earlier, resulted in an increased contribution to total federal order Class IV volume from 20.4 percent in 2011 to 26.0 percent in 2015.❖

Northeast Pool Volume as a Proportion of All Federal Order Areas Combined Pool Volumes, 2011–2015



Fluid Milk Container Sales Survey

The 2015 container sales survey of Class I handlers regulated under the Northeast Order was recently completed. This survey is conducted biennially and records sales of fluid milk products by various package types and sizes for the month of November. Sales reported by these handlers include those in the Marketing Area, along with sales to unregulated areas and other federal order areas.

Started in 1964, the survey was conducted annually through 1967 and biennially since. Its purpose is to monitor trends in bottling in the industry from various containers such as glass to paper and plastic, and from various sizes such as quarts to gallons and in later years, round single serve plastic containers. The most recent survey was redesigned to include more detailed information on organic products, extended shelf life (ultra and aseptic pasteurized), and methods of distribution.

November 2015 Container Sales Survey

Method of Distribution*	Percent
Supermarket chains	38.0
Mass merchandisers	9.9
Club Stores	4.5
Convenience stores	9.1
Drug Stores	1.6
Schools	3.8
Institutions	2.5
Wholesale distributors	25.2
Home delivery routes	0.2
Other	5.3
Total	100.0

* Sales of packaged fluid milk products in the Northeast Marketing Area, unregulated areas, and other federal order areas from regulated handlers.

Container Size and Type

Packaged sales reported by handlers in the Northeast continue to decline and totaled 791 million pounds in November 2015, down from 872 million in 2013 and 881 million in 2011. Gallons still account for over half of all milk sold in the Northeast (53.7 percent) although their proportion declined slightly from the last survey. They were followed, with significantly smaller proportions, by half gallons at 27.3 percent, quarts at 5.5 percent, and half pints at 8.1 percent. Slight increases occurred in half gallons, quarts, pints, half pints, and 12 ounce single serve containers. The proportion accounted for by 14 and 10 ounce containers and other sizes (include 2 ½, 5 and 6 gallon, and various smaller sizes) was unchanged at 4.4 percent.

There was little change in the proportions of type of container. Glass continues to hold a 0.4 percent share of sales in the marketing area. Paper rose slightly to 21.1 percent, while plastic declined slightly to 78.5 percent.

Product Type

Whole milk (regular, unflavored) continued to hold the largest market share with 31.8 percent, up from 29.7 percent in 2013. Sales of reduced fat (2 %), low fat (1%), and fat free (skim) accounted for a combined total of 53.3 percent, a decline of 3.5 percentage points from the last survey. Flavored milk and drinks (lower fat flavored milk) had 6.8 percent of all sales, up from 6.2 in 2013. Buttermilk and eggnog were relatively unchanged at 0.5 and 1.8 percent, respectively.

Organic milk (included regular and flavored, whole and lower fat) rose to 5.9 percent of all sales, up from 5.1 during the last survey. Within the organic category, 37.3 percent was whole milk, the remaining 62.7 percent lower fat products. Only 0.3 percent of organic milk sold was flavored.

As mentioned above, this survey broke out extended shelf life (ESL) products. Of the total packaged sales reported, 8.7 percent were ESL. Within product categories, ESL accounted for 7.1 percent of whole milk, 11.8 percent of reduced fat, 5.3 percent of low fat, 18.3 percent of fat free, and 7.0 percent of flavored milk and drinks. ESL products predominantly are sold in paper half gallons and quarts.

Method of Distribution

This survey expanded the Methods of Distribution section to gather more detail. Supermarket sales accounted for the largest volume at 38 percent (see accompanying table). Wholesale distributors were second, followed by mass merchandisers (Wal-Mart, Target, etc.). Club stores (Costco, Sam's Club, BJs Wholesale, etc.) had about half the sales of mass merchandisers. Convenience stores (not drug stores) accounted for nearly 5 times the volume of drug stores (CVS, Rite Aid, Walgreens, etc.). School sales declined from previous surveys and institutional now includes hospitals, nursing homes, and prisons, in addition to military. Home delivery held its 0.2 percent share and 5.3 percent were reported as "other", which include such outlets as farmers' markets and own-farm plant stores. ❖

MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

RETURN SERVICE REQUESTED

PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Albany, NY
Permit 1011

FIRST CLASS MAIL

Computation of Producer Price Differential and Statistical Uniform Price*

		Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I—	Skim	746,744,139	$8.79	65,638,809.82	
	Butterfat	15,151,992	2.4428	37,013,286.06	
Less:	Location Adjustment to Handlers			(2,761,630.38)	$99,890,465.54
Class II—	Butterfat	34,335,822	2.2098	75,875,299.46	
	Nonfat Solids	49,969,721	0.6722	33,589,646.47	109,464,945.93
Class III–	Butterfat	24,872,371	2.2028	54,788,858.81	
	Protein	16,904,547	1.9206	32,466,872.96	
	Other Solids	31,195,320	0.0501	1,562,885.50	88,818,617.27
Class IV–	Butterfat	14,610,254	2.2028	32,183,467.51	
	Nonfat Solids	37,379,429	0.5786	21,627,737.61	53,811,205.12
Total Classified Value					**$351,985,233.86**
Add:	Overage—All Classes				30,117.53
	Inventory Reclassification—All Classes				(77,229.70)
	Other Source Receipts	2,875,789	Pounds		60,195.42
Total Pool Value					**$351,998,317.11**
Less:	Producer Component Valuations @ Class III Component Prices				(339,663,630.49)
Total PPD Value Before Adjustments					**$12,334,686.62**
Add:	Location Adjustment to Producers				12,658,771.88
	One-half Unobligated Balance—Producer Settlement Fund				683,753.83
Less:	Producer Settlement Fund—Reserve				(982,702.33)
Total Pool Milk & PPD Value		2,307,898,132	Producer pounds		**$24,694,510.00**
	Producer Price Differential		**$1.07**		
	Statistical Uniform Price		**$14.81**		

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