



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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April Pool Price Calculation

The April 2016 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$14.85 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 \$15.77 per cwt. The April statistical uniform price was 4 cents per cwt above the March price. The April producer price differential (PPD) at Suffolk County was \$1.22 per cwt, an increase of 15 cents per cwt from last month.

Product Prices Effect

During April, all product prices declined except butter that had a slight increase. Decreases were not drastic but did result in lower prices for all producer components except butterfat. All class prices dropped slightly from the previous month. With the overall lower prices, it would be expected that the SUP would decline but due to the decreased payout to producers from components (combined result of lower tests and prices compared to March), the PPD increased and when added to the Class III price, resulted in a slightly higher SUP than the previous month. See comparison on page 2.

Record Highs

The total volume of pooled milk for April was the highest ever for the month, while the average daily deliveries per producer (DDP) at 6,569 pounds were the highest ever for the Order. Class IV was the highest for the month of April and the second highest ever for the Order. Both the average producer butterfat and protein tests were the highest ever for the month of April. ❖

Annual Bulletin Available

The 2015 Annual Statistical Bulletin for the Northeast Milk Marketing Area is now available. The report summarizes pool and price data through a series of tables and charts. The Bulletin can be found on our website at www.fmmone.com. Copies may be requested free of charge by contacting the Albany office at (518) 452-4410 or E-mail: MAAlbany@fedmilk1.com. ❖

Pool Summary

- A total of 11,498 producers were pooled under the Order with an average daily delivery per producer of 6,569 pounds.
- Pooled milk receipts totaled 2.266 billion pounds, an increase of 1.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 32.0 percent of total milk receipts, a decrease of 1.0 percentage points from March.
- The average butterfat test of producer receipts was 3.83 percent.
- The average true protein test of producer receipts was 3.09 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	32.0	725,155,128
Class II	24.4	552,945,957
Class III	24.1	545,367,435
Class IV	19.5	442,461,800
Total Pooled Milk		2,265,930,320

Producer Component Prices

	2016	2015
	\$/lb	
Protein Price	1.8450	2.5551
Butterfat Price	2.2376	1.8940
Other Solids Price	0.0489	0.2698

Class Price Factors

	2016	2015
	\$/cwt	
Class I	16.99	18.75
Class II	13.54	14.98
Class III	13.63	15.81
Class IV	12.68	13.51

Component Levels By Production Size

The February 2016 *Bulletin* highlighted the increasing number of large farm operations in the Northeast. In this article, we present average tests of butterfat, protein, and other solids components by five production size ranges. The accompanying table depicts annual average tests and proportion of pool volume and producers for these five size categories for 2015.

Production Range Pounds Per Month	Milk	Producers	Butterfat Percent	Protein	Other Solids
0-99,999	16.1	58.2	3.86	3.07	5.70
100,000-249,999	22.6	28.7	3.78	3.06	5.74
250,000-499,999	12.1	6.8	3.78	3.06	5.75
500,000-999,999	11.2	3.1	3.80	3.06	5.76
>=1,000,000	37.9	3.2	3.74	3.06	5.76
All Milk Pooled	100.0	100.0	3.78	3.06	5.75

The 2015 data show overall there is little to no difference in average producer tests of protein for the year as a whole. Four size categories averaged 3.06 percent protein, with the 0-99,999 pounds per month category averaging 3.07 percent.

The average butterfat test for the year was highest for the smallest production category (0-99,999 pounds) at 3.86 percent, lower for the next two largest categories (each at 3.78 percent butterfat), and lowest for the largest production size category (at least 1 million pounds) at 3.74 percent. The exception to a trend of lower butterfat percent as production range increases for 2015 was the second highest production range category, which averaged 3.80 percent butterfat for the year.

The average other solids test was highest for the largest production size category at 5.76 percent for

2015. The average other solids test averaged somewhat lower with lower production ranges, with the smallest production range 0-99,999 pounds operations averaging 5.70 percent other solids for the year.

The implication might be that assuming the same total volume, the shift to larger operations supplying that volume may result in somewhat less butterfat but more other solids in the milk marketed without such a shift, with no impact on how much protein is available. Still, the increase in total volume led by the large farm categories overwhelms underlying trend of lower butterfat percent in higher production categories, thus resulting in more of all components available to the market. Average tests for all three components have increased over the past 12 years. ❖

Calculation of Price

As mentioned on page 1, the April statistical uniform price (SUP) was higher than the March price even though all class prices were lower. This was the first time under the Order that this has occurred and is largely the result of slight declines in component tests when compared to March. This means that out of the total classified value of the pool, a smaller proportion was attributable to the value of producer milk components—butterfat, protein, and other solids. This increased the extra value in the pool payable to the producer price differential (PPD). As a result, the PPD increased by 15 cents. The accompanying table shows the changes in prices and pool calculation for March and April; it is a simplified version of the computation shown on page 4. ❖

	March	April (dollars)	Change from previous month
Price per cwt			
Class I	17.03	16.99	(0.04)
Class II	13.57	13.54	(0.03)
Class III	13.74	13.63	(0.11)
Class IV	12.74	12.68	(0.06)
Pool Value			
Classified Value*	351,998,317.11	345,117,517.72	
Per cwt value	15.27	15.23	(0.04)
Less Producer Component Valuations			
Butterfat	195,984,083.04	194,186,041.35	
Protein	137,029,411.19	129,109,585.47	
Other Solids	6,650,136.26	6,367,863.91	
Total	339,663,630.49	329,663,490.73	
Per cwt value	(14.74)	(14.55)	0.19
PPD Total Value**			
Total	24,694,510.00	27,662,701.77	
Per cwt value	1.07	1.22	0.15
Class III price	13.74	13.63	(0.11)
SUP#	14.81	14.85	0.04

* Include Overages, Inventory Reclassification, and Other Source Receipts.
 ** Includes Location Adjustment to Producers and Producer Settlement Fund Administration.
 # SUP=Class III price + PPD

Surplus Milk During April

As expected, the volume of milk pooled on the Order during April 2016 was the largest ever for the month of April since the Northeast Order was formed in 2000. In fact, April was the sixth month in a row where the volume of milk pooled set a new record for that respective month. As a further frame of reference, the volume of milk pooled during April was nearly 9 percent greater than the average April pool volume for the first 16 years of the Order.

With such a large milk supply in the milk shed, it was anticipated that dumping of surplus milk might occur and this turned out to be the case. For the month of April, Class IV milk under the usage category “animal feed and dumpage” jumped to 22.6 million pounds. This is up from 5.9 million pounds reported in March and 5.4 million pounds during April 2015. Only a very small portion of this volume was reported as raw milk dumped at farms, and that was the result of extended plant unloading delays (impacted by excessive milk volumes) delaying farm pickup trucks from returning to routes prior to the next day’s milking.

The majority of the reported dumped milk was picked up at farms, delivered to a plant where the cream was processed and removed, and the residual skim milk dumped due to lack of plant processing capacity. Under such a scenario, the handler receives some value for the cream or condensed that is extracted from the farm milk, but receives no value for the skim milk dumped other than the producer price differential (PPD) value from the monthly federal order pool. Typically the producer is fully paid for all of the milk they produce, regardless if their milk is ultimately dumped or utilized for less than

the milk’s full value. This is required under the Order provisions if the producer was a nonmember producer, and this practice is generally followed by cooperatives for their members located in this market.

Plant milk dumps are a regular and allowable utilization of milk under the provisions of the Order and occur on a monthly basis for a variety of reasons including instances where there is more milk than processing capacity. The volume of reported dumps on the Order generally increases significantly only during periods of excessive surplus milk as is the current situation in the Northeast. Along with the record pool volume noted above, the volume of milk utilized in Class IV – generally considered the balancing class for the market – was at a record high for the month of April and was 47 percent greater than the average Class IV utilization volume for April during the Order’s first 16 years.

To help handlers through this period of surplus milk, the Market Administrator – at the request of pool handlers – authorized a temporary relaxation of the pooling of requirements for dumped milk during the spring flush and summer 2016 holiday period. The temporary provision allows handlers to report and pool dumped surplus milk at a farm rather than such milk having to first be loaded on a truck, taken to plant for testing, and then returned to a farm dump location. As mentioned earlier, only a small volume of the April dumped milk had to utilize the temporary dumped milk policy with the vast majority of the reported surplus milk processed through a plant where at least some of the value of the raw milk, principally in the form of butterfat, was removed and utilized. ❖

Pool Summary for All Federal Orders, January–March, 2015–2016

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2015	2016	Change^	2015	2016	2015	2016
		pounds			percent	dollars per hundredweight		
1	Northeast	6,476,447,844	6,695,874,088	2.3	1.14	1.45	16.88	15.21
5	Appalachian	1,419,849,518	1,442,154,740	0.5	N/A	N/A	18.59	16.44
6	Florida	716,651,934	725,038,699	0.1	N/A	N/A	20.99	18.61
7	Southeast	1,350,338,120	1,406,816,670	3.0	N/A	N/A	19.31	16.90
30	Upper Midwest	8,663,443,981	9,484,212,479	8.3	0.15	0.17	15.89	13.93
32	Central	3,986,729,830	4,038,256,764	0.2	0.20	0.40	15.94	14.15
33	Mideast	4,819,453,425	5,072,467,874	4.1	0.26	0.56	15.99	14.31
124	Pacific Northwest	1,535,576,348	2,063,653,089	32.9	(0.31)	0.21	15.42	13.97
126	Southwest	3,340,178,426	3,663,285,758	8.5	1.08	1.28	16.81	15.03
131	Arizona	1,228,972,637	1,329,516,986	7.0	N/A	N/A	15.64	14.21
All Market Total/Average		33,537,642,063	35,921,277,147	5.9	0.42	0.68	17.15	15.28

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

^ A significant volume of milk was depooled during 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	710,769,441	\$9.47	67,309,866.06	
Butterfat	14,385,687	2.2431	32,268,534.51	
Less: Location Adjustment to Handlers			(2,622,232.70)	\$96,956,167.87
Class II— Butterfat	32,228,969	2.2446	72,341,143.79	
Nonfat Solids	47,833,488	0.6544	31,302,234.58	103,643,378.37
Class III— Butterfat	24,169,750	2.2376	54,082,232.59	
Protein	16,844,481	1.8450	31,078,067.55	
Other Solids	31,141,450	0.0489	1,522,816.89	86,683,117.03
Class IV— Butterfat	15,998,773	2.2376	35,798,854.47	
Nonfat Solids	39,152,426	0.5573	21,819,647.01	57,618,501.48
Total Classified Value				\$344,901,164.75
Add: Overage—All Classes				26,744.12
Inventory Reclassification—All Classes				144,327.40
Other Source Receipts	1,504,260 Pounds			45,281.45
Total Pool Value				\$345,117,517.72
Less: Producer Component Valuations @ Class III Component Prices				(329,663,490.73)
Total PPD Value Before Adjustments				\$15,454,026.99
Add: Location Adjustment to Producers				12,649,413.04
One-half Unobligated Balance—Producer Settlement Fund				543,333.56
Less: Producer Settlement Fund—Reserve				(984,071.82)
Total Pool Milk & PPD Value	2,267,434,580 Producer pounds			\$27,662,701.77
Producer Price Differential		\$1.22		
Statistical Uniform Price		\$14.85		

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