

# The Market Administrator's

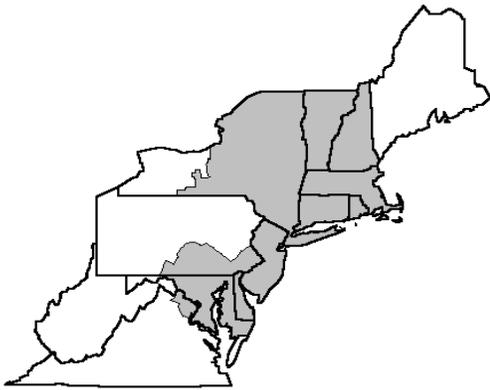
# BULLETIN

## NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2017

Federal Order No. 1



To contact the Northeast Marketing Area offices:  
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;  
 e-mail address: [Northeast Order@fedmilk1.com](mailto:Northeast Order@fedmilk1.com)  
 website address: [www.fmmone.com](http://www.fmmone.com)

## January Pool Price Calculation

The January 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.21 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 \$19.69 per hundredweight. The January statistical uniform price was 53 cents per hundredweight above the December price. The January producer price differential (PPD) at Suffolk County was \$1.44 per hundredweight, an increase of \$1.16 per hundredweight from last month.

### Product Prices Effect

During January, all commodity product prices increased except cheese that dropped about 10 cents per pound. The butter price rose 16 cents, nonfat dry milk increased 6 cents, and dry whey was up 4 cents, all on a per pound basis. These changes resulted in higher prices for all component prices except protein that, due to the combination of a higher butterfat price and a lower cheese price, dropped 52 cents per pound. The January butterfat price was the highest on record for that month.

All class prices rose except Class III that declined 63 cents per hundredweight. Class I increased 57 cents; Class II was up \$1.10; and Class IV jumped \$1.22, all on a per hundredweight basis. Even though the Class I utilization percent was down from the previous month due to the combination of lower Class I sales and a higher pool volume, a larger proportion of pool volume was in the higher priced classes (I and III, this month). In addition, the rest of the pool was valued higher than in December due to the considerable increases in the Class II and IV prices (each over \$1.00). As a result, both the SUP and PPD increased. With a \$1.44 PPD at the base zone (Boston, MA) no producers should see any negative PPDs in the usual milkshed.

### Highlights

The total volume of producer milk receipts continued to top the previous year for the same month, setting a new record high for January. In addition, January's pool volume was the second highest ever for the Order. All class volumes were above last year for the same month. The average producer butterfat test was the highest ever for the month and the second highest ever for the Order. ❖

## Pool Summary

- A total of 11,413 producers were pooled under the Order with an average daily delivery per producer of 6,644 pounds.
- Pooled milk receipts totaled 2.351 billion pounds, an increase of 3.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 32.6 percent of total milk receipts, a decrease of 2.0 percentage points from December.
- The average butterfat test of producer receipts was 3.95 percent.
- The average true protein test of producer receipts was 3.15 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	32.6	765,528,665
Class II	23.0	540,312,922
Class III	25.7	605,155,157
Class IV	18.7	439,622,082
Total Pooled Milk		2,350,618,826

### Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	2.1768	1.8169
Butterfat Price	2.5253	2.3062
Other Solids Price	0.2503	0.0371

### Class Price Factors

	2017	2016
	\$/cwt	
Class I	20.70	19.29
Class II	16.36	14.19
Class III	16.77	13.72
Class IV	16.19	13.31

## Comparing Cooperative Member and Nonmember

The Northeast Order pooled milk from 48 different cooperative milk marketing associations holding USDA Capper-Volstead cooperative determinations during October 2016. Many of these cooperatives market through contracts with other cooperatives, and thus the total number does not reflect 48 distinct cooperative marketing options. In fact, only 19 cooperatives would be considered independent based on their filing a 9c handler report, meaning any cooperative association that receives milk for its account from the farm of a producer and delivers to pool plants or diverts to nonpool plants.

### Producer Count and Milk Volume

Cooperative members accounted for 81.3 percent of the producers that pooled milk on the Northeast Order in October 2016 and 86.3 percent of the milk. Nonmembers (independent producers) accounted for 18.7 percent of producers and 13.7 percent of milk pooled. The largest 15 cooperatives accounted for 88 percent of all cooperative members and 87 percent of all cooperative milk pooled. The largest 4 cooperatives accounted for 63 percent of all

cooperative members and 64 percent of all cooperative milk pooled.

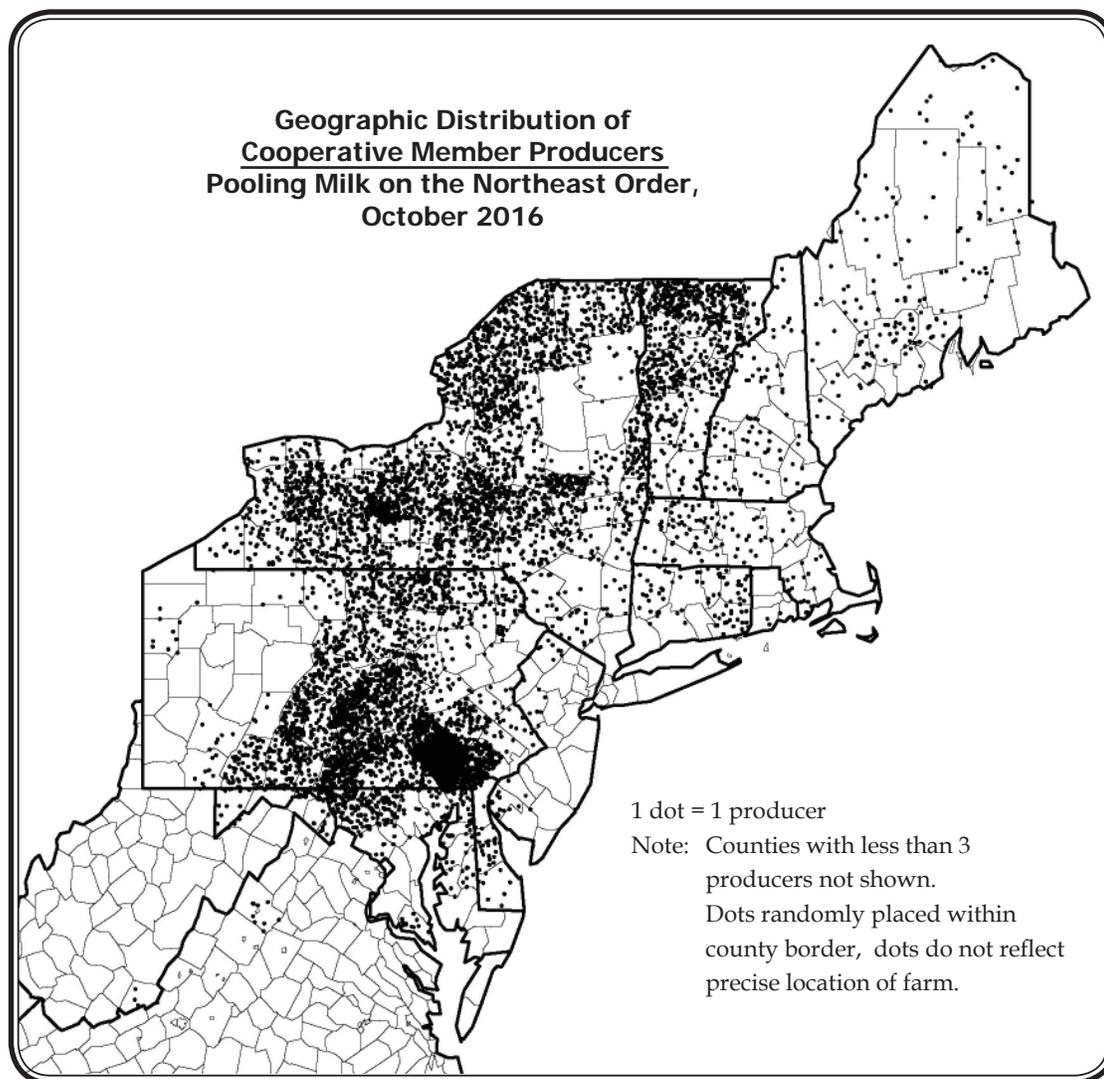
Nonmembers accounted for 25.9 percent of producers in New York but just 13.3 percent of the milk from the state. Nonmembers accounted for 16.9 percent of producers in Pennsylvania and 17.5 percent of the milk, while they accounted for just 6.4 percent of producers in Vermont and 4.3 percent of the milk.

### Geographic Distribution

The accompanying maps present the general geographic distribution of cooperative member and nonmembers pooling on the Northeast Order (from the more traditional milkshed states). The data are presented by county and each point on the map represents a producer. The location of the point on the map is randomly placed within the county border and counties with less than three producers are not shown, for confidentiality reasons. Still, the maps relay a general distribution of the two types of producers. During October there were 53 counties in which there existed less than 3 nonmember

producers pooling milk on the Order, of those, 31 had just one producer. Of the cooperative members, there were 108 counties with just one producer, of which, 46 had just one producer. Also of the 108 counties with less than 3 cooperative member producers, 38 were from the states of Indiana, Michigan, Ohio, and Wisconsin (outside the traditional milkshed area depicted on the maps), supplying organic milk. Of the 53 counties with less than 3 nonmember producers, none were from outside the traditional northeast milkshed area.

During October 2016, there were 23 counties total from which more than 100 cooperative members were pooled on the Northeast Order. Only 5 counties had more than 100 nonmembers pooling on the Order that same  
*(continued on page 3)*



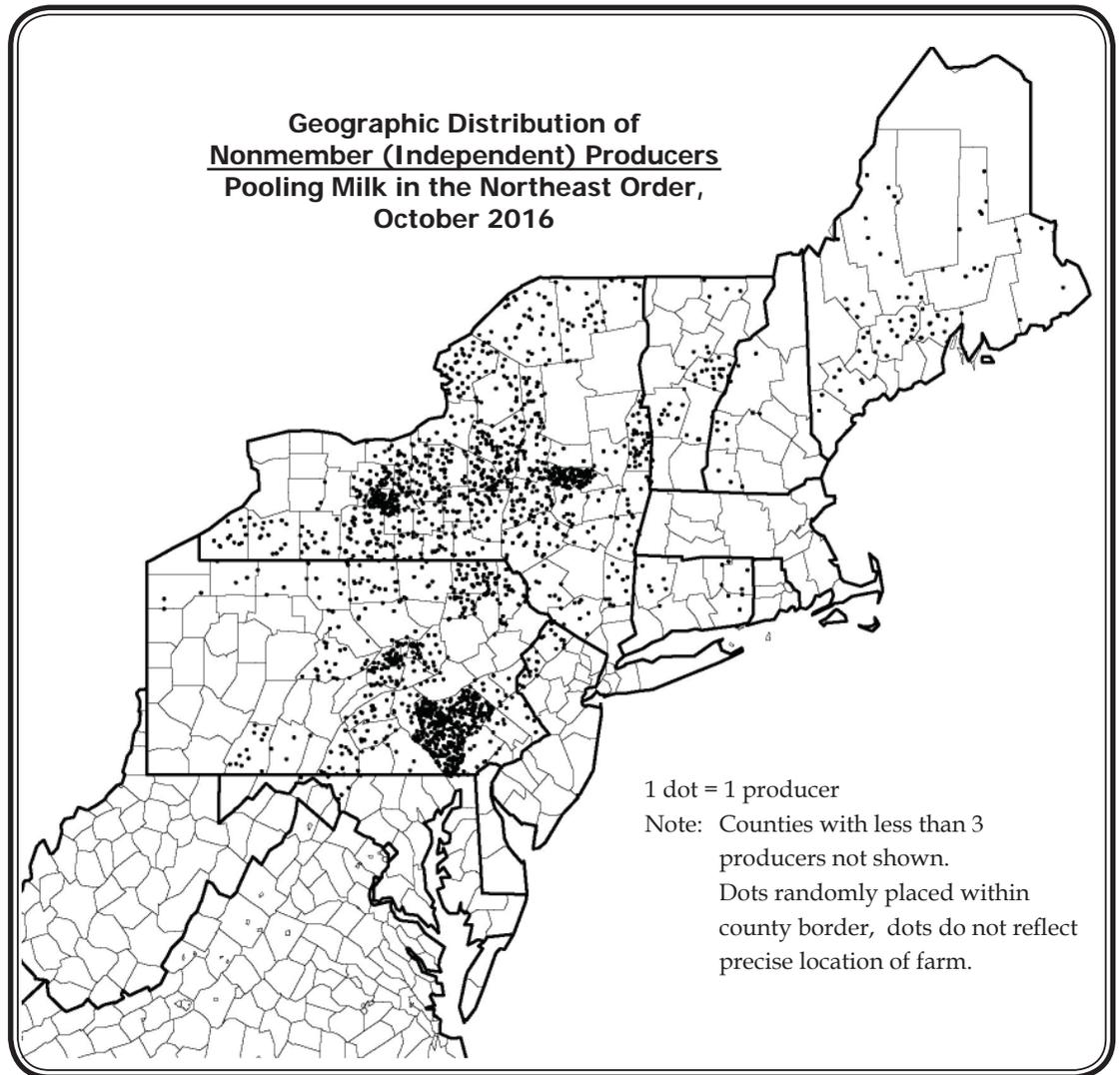
## Comparing *(continued from page 2)*

month – Berks, Lancaster, and Lebanon counties in Pennsylvania and Montgomery and Yates counties in New York.

### Comparing Average Size

The table below presents the number of cooperative member and nonmember producers and the average monthly volume of milk pooled by each type of producer for the Northeast as well as for the three largest milk producing states in the Order. The data show that the Northeast average monthly volume per producer in October 2016 was 196,102 pounds. Cooperative members pooled more than this on average, at 208,054 pounds per month, while nonmembers pooled less on average, at 144,011 pounds each. The average volume pooled by a cooperative member in New York was 309,090 pounds while nonmembers each pooled an average of 135,505 pounds. In Vermont, the average cooperative member pooled 303,922 pounds during the month, while nonmembers pooled an average of 199,725 pounds each. In Pennsylvania, in contrast to New York and Vermont, cooperative members averaged a smaller volume pooled during the month

than nonmembers. Members pooled an average 138,065 pounds each while nonmembers pooled an average of 143,892 pounds each. Additionally, the difference between average monthly volume pooled by cooperative members and nonmembers in Pennsylvania is much smaller than in New York and Vermont, and for the Northeast as a whole. ❖



**Comparison of Nonmember and Member Producers and Average Volume Pooled, By Area, October 2016**  
(Northeast Order Payroll Data)

Producer Category	Northeast		New York		Pennsylvania		Vermont	
	Producers	Avg Monthly Lbs	Producers	Avg Monthly Lbs	Producers	Avg Monthly Lbs	Producers	Avg Monthly Lbs
Member	9,070	208,054	3,038	309,090	4,016	138,065	702	303,922
Nonmember	2,081	144,011	1,060	135,505	818	143,892	48	199,725
All Types	11,151	196,102	4,098	264,190	4,834	139,051	750	297,253

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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	750,117,466	\$12.86	96,465,106.13	
Butterfat	15,411,199	2.3699	36,523,000.51	
Less: Location Adjustment to Handlers			(2,879,340.18)	\$130,108,766.45
Class II— Butterfat	31,235,524	2.5323	79,097,717.46	
Nonfat Solids	47,141,987	0.8633	40,697,677.39	119,795,394.85
Class III— Butterfat	27,232,113	2.5253	68,769,254.98	
Protein	19,000,289	2.1768	41,359,829.11	
Other Solids	34,599,170	0.2503	8,660,172.26	118,789,256.35
Class IV— Butterfat	18,881,021	2.5253	47,680,242.33	
Nonfat Solids	38,988,987	0.8465	33,004,177.50	80,684,419.83
<b>Total Classified Value</b>				<b>\$449,377,837.48</b>
Add: Overage—All Classes				121,194.72
Inventory Reclassification—All Classes				277,114.23
Other Source Receipts	192,914 Pounds			8,431.91
<b>Total Pool Value</b>				<b>\$449,784,578.34</b>
Less: Producer Component Valuations @ Class III Component Prices				(429,066,828.16)
<b>Total PPD Value Before Adjustments</b>				<b>\$20,717,750.18</b>
Add: Location Adjustment to Producers				13,311,318.00
One-half Unobligated Balance—Producer Settlement Fund				997,781.44
Less: Producer Settlement Fund—Reserve				(1,175,160.68)
<b>Total Pool Milk &amp; PPD Value</b>	2,350,811,740 Producer pounds			<b>\$33,851,688.94</b>
Producer Price Differential		<b>\$1.44</b>		
Statistical Uniform Price		<b>\$18.21</b>		

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

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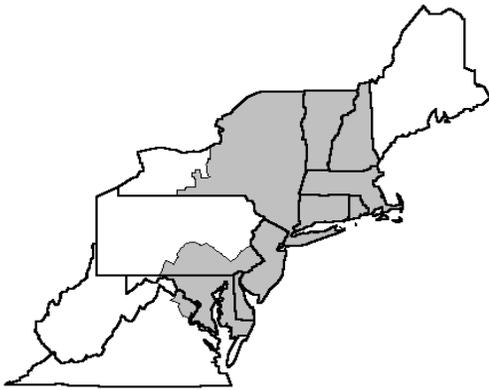
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## February Pool Price Calculation

The February 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.77 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 \$19.12 per cwt. The February statistical uniform price was 44 cents per cwt below the January price. The February producer price differential (PPD) at Suffolk County was \$0.89 per cwt, a decrease of 55 cents per cwt from last month.

### Product Prices Effect

During February, all commodity product prices decreased except dry whey that rose about 5 cents per pound. The butter price dropped 8 cents, nonfat dry milk declined 3 cents, and cheese had a slight decrease, all on a per pound basis. These changes resulted in a nearly 10-cent drop in the butterfat price and a 3-cent decline in the nonfat solids component prices. The other solids price increased about 5 cents and the protein price rose nearly 6 cents due to the lower butterfat price.

The Class I price declined 72 cents per cwt based off of lower prices in January. The Class II and III prices rose 16 cents and 11 cents per cwt, respectively. The Class IV price dropped 60 cents per cwt. Even though a higher proportion of total producer milk receipts was in the higher-priced classes, their total proportion declined and coupled with overall decline in prices resulted in a lower SUP. The spread between the classes also tightened, decreasing the PPD. Producers shipping to plants in the outer zones will see negative PPDs.

### Highlights

The total volume of producer milk receipts continued to top the previous year for the same month, setting a new record high for February. In addition, February's daily delivery per producer set a new record for the Order. The Class I volume for February was below 700 million for the first time ever. The Class IV volume was the highest ever for February and the first time it exceeded 400 million pounds during the month. Both the average producer butterfat and other solids tests set new record highs for the month. The producer protein test tied with 2015 and 2016 as record high for February. ❖

## Pool Summary

- A total of 11,332 producers were pooled under the Order with an average daily delivery per producer of 6,772 pounds.
- Pooled milk receipts totaled 2.149 billion pounds, an increase of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 31.5 percent of total milk receipts, a decrease of 1.1 percentage points from January.
- The average butterfat test of producer receipts was 3.92 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.5	676,879,230
Class II	23.9	514,004,604
Class III	25.0	537,592,051
Class IV	19.6	420,262,240
Total Pooled Milk		2,148,738,125

### Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	2.2348	1.7389
Butterfat Price	2.4274	2.3778
Other Solids Price	0.2990	0.0492

### Class Price Factors

	2017	2016
	\$/cwt	
Class I	19.98	16.89
Class II	16.52	14.30
Class III	16.88	13.80
Class IV	15.59	13.49

## U.S. Milk Production Increase Higher Than Last Year

With all the talk about abundant milk supplies, it is no surprise that the total milk production in the United States grew 1.6 percent in 2016, a higher rate than in 2015 (1.3 percent). All comparisons have been adjusted for the extra day in 2016 (leap year).

The increase in the top ten milk-producing states combined was even higher than the national average, as was the combined total for the top 23 milk-producing states reported by the National Agricultural Statistics Service (NASS). The accompanying table shows the top ten states ranked by their total 2016 production and comparisons to the top 23 states total and the U.S. total for production, cows, and milk production per cow (MPC).

**Top Ten States Ranked by Milk Production, 2016**

Rank	State	2015 (million pounds)	2016 (million pounds)	Percent Change#	2016	
					Cows (1,000 head)	MPC*# (pounds)
1	California	40,897	40,469	(1.3)	1,762	22,905
2	Wisconsin	29,030	30,123	3.5	1,279	23,488
3	New York	14,094	14,765	4.5	620	23,749
4	Idaho	14,114	14,665	3.6	595	24,580
5	Michigan	10,261	10,876	5.7	419	25,886
6	Pennsylvania	10,800	10,820	(0.1)	529	20,398
7	Texas	10,301	10,773	4.3	475	22,618
8	Minnesota	9,462	9,666	1.9	461	20,910
9	New Mexico	7,831	7,711	(1.8)	315	24,412
10	Washington	6,606	6,650	0.4	276	24,028
	Top Ten Total	153,396	156,518	1.8	6,731	23,190
	Top 23 Total	195,462	199,362	1.7	8,655	22,971
	U.S. Total	208,597	212,436	1.6	9,328	22,712

Source: NASS, *Milk Production*

\* Milk Produced per Cow

# Adjusted for leap year.

### Top States-New York Regains Number 3 Spot

The top ten list contained the same states as in 2015 although the order has changed. New York finished 100 million pounds above and regained the number three spot from Idaho that held it in 2014 and 2015. Other changes in rank included Michigan, which reported the largest increase of the top-ten states, jumping from number 7 in 2015 to number 5 in 2016 and Pennsylvania and Texas each dropping down a level. Number one-ranked California reported a decline in production, as did Pennsylvania and New Mexico. The rest of the top ten had increases with Michigan, New York, Texas, Idaho, and Wisconsin all reporting over 3 percent growth.

### Northeast Again Above National Average

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling into the marketing area) increased 1.9 percent in 2016, above the U.S., top ten, and top 23 state averages. Strong growth occurred in New York (4.5 percent) and Maine (5.8 percent) and, to a lesser degree, in Connecticut (2.7 percent) and Vermont (1.9 percent). Combined production in the 3 top producing states in the milkshed (New York, Pennsylvania, and Vermont) rose 2.4 percent. Many of the states in the milkshed reported decreases.

### Cow Numbers and Production per Cow

Nationally, the number of milk cows increased a slight 0.2 percent in 2016; in 2015, they rose 0.6 percent. Nineteen states showed declining cow numbers, 15 states reporting increases, and the remainder had no change. Of those with increasing cow numbers, five were in the

top ten states. In the Northeast milkshed states, milk cow numbers declined a slight 0.2 percent. The combined total for New York, Pennsylvania, and Vermont was down a slight 0.1 percent from 2015; Pennsylvania dropped 0.2 percent; Vermont decreased 1.5 percent; and New York increased 0.3 percent.

Average MPC grew 1.4 percent nationally, up considerably from an increase of 0.6 percent in 2015. For the Northeast, the increase was 2.1 percent. The U.S. average milk per cow was 22,712 pounds in 2016; the average was 21,668 pounds in the Northeast states. New York's MPC (23,749 pounds) was above the national average. Only thirteen states had MPC greater than the national average; seven of them are in the top ten. ❖

## Market Services 2016 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

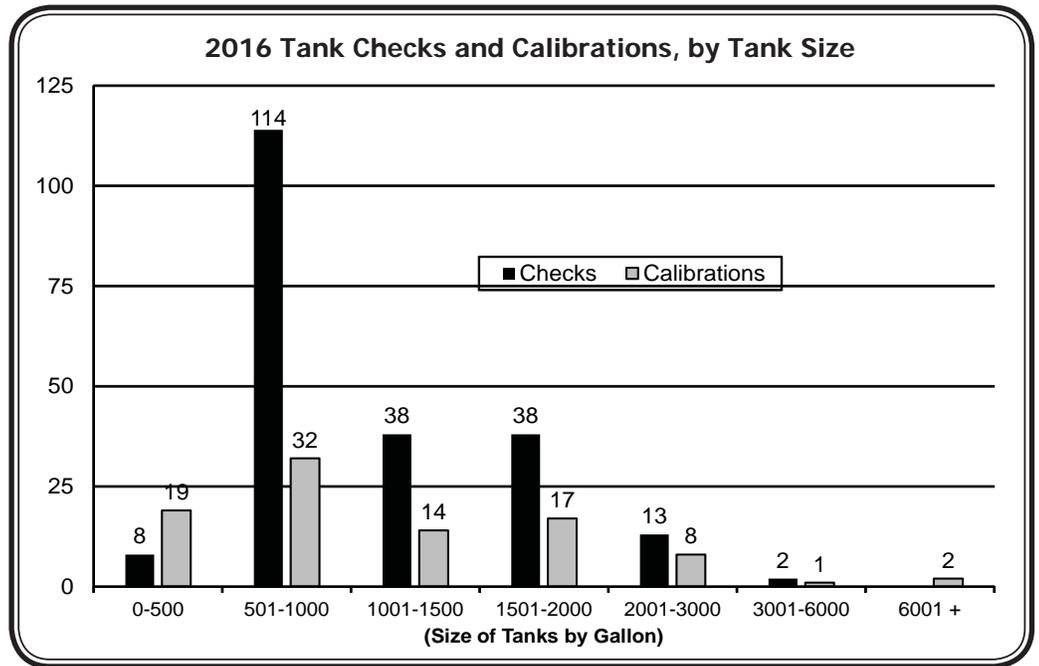
One aspect of the Market Administrator's market service program is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing calibration services, the two trucks combined covered 20,884 miles in 2016. The market service department checked 213 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2016 (continued on page 3)

## Market Services *(continued from page 2)*

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.

### Checks/Calibration Results

Of the 213 tanks checked, 13 (6 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 93 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, 70 percent were 1,500 gallon tanks or smaller. The 213 checks and the 93 additional calibrations total at least 306 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 is shown below. ❖



## California Market Order Recommended Decision Issued

On February 10, 2017, the USDA announced its recommended decision to establish a California Federal Milk Marketing Order (FMMO). The recommended decision was published in the Federal Register February 14, 2017, and a public inspection copy is available on the Federal Register's website. The recommended decision is based on the evidentiary record compiled from a public hearing held from September to November 2015.

The marketing area would incorporate the entire state of California. Where appropriate, the recommended California FMMO proposes adoption of uniform order provisions contained in the 10 current FMMOs. These uniform provisions include, but are not limited to, dairy product classification, end-product price formulas and the producer-handler definition. The proposed order would recognize the unique market structure of the California dairy industry through tailored performance-based standards to determine eligibility for pool participation. The proposed order provides for the recognition of producer quota as administered by the California Department of Food and Agriculture.

Comments on the recommended decision will be accepted for 90 days after the Federal Register publication (May 15, 2017). After analyzing and considering public comments, USDA will issue a final decision. More information, including the entire hearing record and Regulatory Economic Impact Analysis can be found at [www.ams.usda.gov/caorder](http://www.ams.usda.gov/caorder). ❖

### Tentative Calibration Truck Schedule, 2017

Month	Area
April	Southern PA, Northern PA, Central NY
May	Finger Lakes Region NY, Eastern NY, Maine
June	Central PA, Eastern NY, VT and NH
July	Southern PA, Northern NY, Central NY
August	Western NY, Eastern NY
September	Central PA, Eastern NY, CT and RI
October	Southern PA, Central NY
November	Finger Lakes Region NY, Southern PA

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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	663,120,664	\$11.45	75,927,316.03	
Butterfat	13,758,566	2.5517	35,107,732.86	
Less: Location Adjustment to Handlers			(2,546,158.18)	\$108,488,890.68
Class II— Butterfat	29,197,182	2.4344	71,077,619.91	
Nonfat Solids	44,829,227	0.9211	41,292,200.94	112,369,820.85
Class III— Butterfat	23,493,413	2.4274	57,027,910.72	
Protein	16,795,688	2.2348	37,535,003.54	
Other Solids	30,825,704	0.2990	9,216,885.55	103,779,799.81
Class IV— Butterfat	17,803,752	2.4274	43,216,827.61	
Nonfat Solids	37,207,436	0.8166	30,383,592.22	73,600,419.83
<b>Total Classified Value</b>				<b>\$398,238,931.17</b>
Add: Overage—All Classes				104,531.28
Inventory Reclassification—All Classes				2,345.17
Other Source Receipts	258,401 Pounds			6,499.13
<b>Total Pool Value</b>				<b>\$398,352,306.75</b>
Less: Producer Component Valuations @ Class III Component Prices				(391,626,333.18)
<b>Total PPD Value Before Adjustments</b>				<b>\$6,725,973.57</b>
Add: Location Adjustment to Producers				12,130,241.21
One-half Unobligated Balance—Producer Settlement Fund				1,168,741.67
Less: Producer Settlement Fund—Reserve				(898,887.42)
<b>Total Pool Milk &amp; PPD Value</b>	2,148,996,526 Producer pounds			<b>\$19,126,069.03</b>
Producer Price Differential		<b>\$0.89</b>		
Statistical Uniform Price		<b>\$17.77</b>		

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

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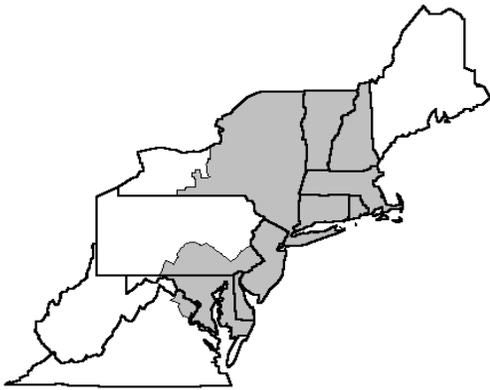
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## March Pool Price Calculation

The March 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.30 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 \$18.59 per hundredweight. The March statistical uniform price was 47 cents per hundredweight below the February price. The March producer price differential (PPD) at Suffolk County was \$1.49 per hundredweight, an increase of 60 cents per hundredweight from last month.

### Product Prices Effect

Similar to February, all commodity product prices decreased during March except dry whey. Nonfat dry milk dropped 14 cents, cheese fell 13 cents, and butter declined about 1 cent, all on a per pound basis. These changes resulted in a 14-cent drop in the nonfat solids price, a nearly 42-cent drop in the protein price and a 1-cent decline in the butterfat component price. Even though the butterfat price fell slightly, it was the highest ever for the month of March since federal order reform.

The Class I price increased 17 cents per hundredweight based off of higher prices in February. The Class II price declined 31 cents; Class III dropped \$1.07; and Class IV fell \$1.27, per hundredweight, respectively. Even though a higher proportion of total producer milk receipts was in the higher-priced classes, the overall decline in prices resulted in a lower SUP. The spread between Class I and the other classes gave way to a higher PPD.

### Highlights

The total volume of producer milk receipts continued to top the previous year for the same month and also set a new record high for the Order. In addition, March's daily delivery per producer set a new record for the Order. The Class IV volume was the highest ever for March and the second highest on record for the Order. Both the average producer butterfat and protein tests set new record highs for the month. ❖

## Pool Summary

- A total of 11,272 producers were pooled under the Order with an average daily delivery per producer of 6,857 pounds.
- Pooled milk receipts totaled 2.396 billion pounds, an increase of 0.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 32.1 percent of total milk receipts, an increase of 0.6 percentage points from February.
- The average butterfat test of producer receipts was 3.92 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	32.1	768,340,454
Class II	23.8	569,351,577
Class III	24.7	592,314,037
Class IV	19.4	466,023,439
Total Pooled Milk		2,396,029,507

### Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	1.8198	1.9206
Butterfat Price	2.4176	2.2028
Other Solids Price	0.3345	0.0501

### Class Price Factors

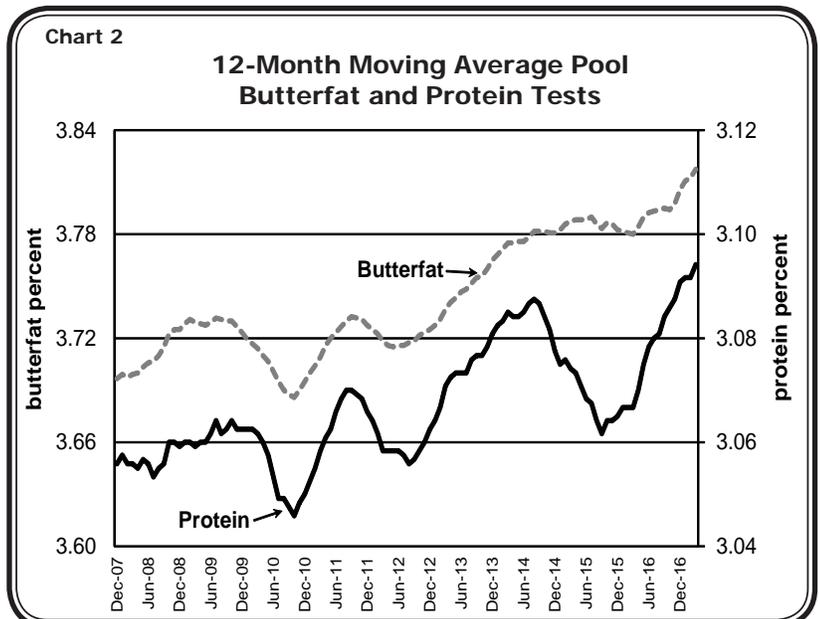
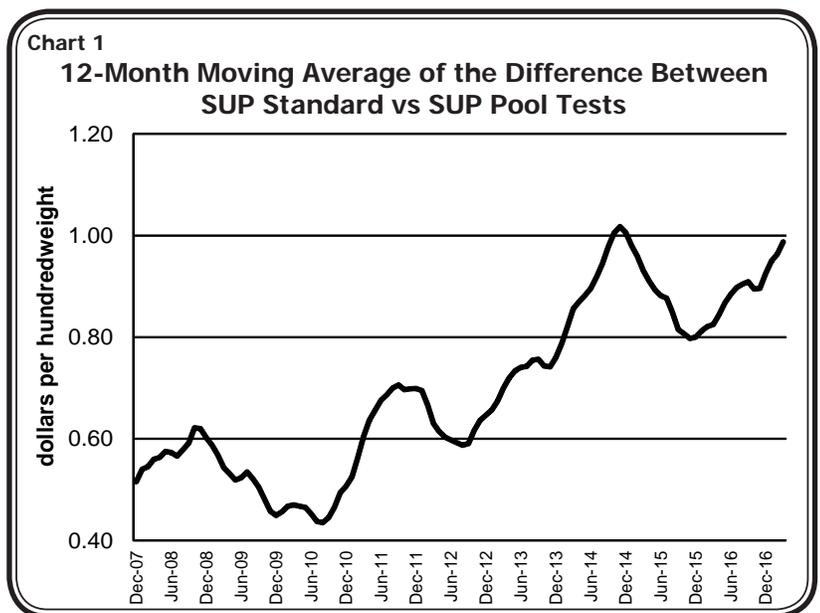
	2017	2016
	\$/cwt	
Class I	20.15	17.03
Class II	16.21	13.57
Class III	15.81	13.74
Class IV	14.32	12.74

## SUP at Standard Tests VS Pool Tests

The Federal Order monthly Pool Price Announcement reports a Statistical Uniform Price (SUP) that represents a benchmark minimum price paid to dairy farmers, prior to allowable deductions, for farm milk of 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The SUP for March 2017 at these standard tests was \$17.30 per hundredweight. The same announcement includes the average producer component tests for the month. For instance, the March 2017 components tests for all producers averaged 3.92 percent butterfat, 3.13 percent protein, and 5.75 percent other solids. The producer's individual minimum price may differ based on how different their own component tests are from the test levels used for the benchmark, as well as the respective differential zone of the plant(s) to where their milk is delivered if other than to plants located in Suffolk County, MA.

To provide producers a truer sense of the monthly minimum price being received, beginning in September 2006, the Market Administrator started reporting a SUP at average pool component tests. This SUP reflects what the minimum price level is if calculated using the weighted average component tests for all producer milk pooled on the Order. This SUP at average pool component tests for March 2017 was \$18.59 per hundredweight, \$1.29 higher than the SUP at standard tests. The difference between the SUP at standard tests and the SUP at pool component tests reflects the difference between that month's average pool component tests levels from what are used as standard tests (stated above).

Chart 1 presents a 12-month moving average of the difference between the two SUP's reported on the Pool Price Announcement since 2007 (the difference being the SUP at average pool component tests minus the SUP at standard tests). The 12-month moving average is an average that includes the current month's data as well as the previous 11 months. A 12-month moving average removes the seasonal characteristic of components from the analysis. Chart 2 presents 12-month moving averages of both the butterfat and component tests for the Order of all milk pooled during the month since 2007. Looking at Chart 1 and Chart 2 together, the relationship between changes in average component levels over time and the difference between the two reported SUPs on the Pool Price Announcement is evident. ❖



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## Top Producing Counties— Northeast Milkshed

In 2016, the top ten counties in terms of milk pooled on the Northeast Order accounted for 33.8 percent of all milk pooled during the year, up slightly from the 33.6 percent during the past 3 years. Pooled milk receipts do not necessarily account for all milk produced in a county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures. The accompanying table shows the top ten ranked counties for 2016 based on their volume pooled on the Order.

### Change in Rankings

Since the Northeast Order's inception, Lancaster  
(continued on page 3)

## Top Producing Counties *(continued from page 2)*

County, PA, has led all counties, accounting for 8.6 percent of total milk pooled on the Order in 2016 (down from 9.0 percent in 2015). Lancaster's pooled production declined from 2015 but was still more than double the level of the second-ranked county, Cayuga County, NY, which has held this position since 2009.

There were several top-ten position changes in 2016. Wyoming County, NY, rose to number three from number five in 2015. St. Lawrence County in NY moved up from number six in 2015 to number four in 2016. Addison County, VT, and Jefferson County, NY, rose one place each from 2015, while Franklin County, VT, dropped from number three to number five in 2016, and Franklin County, PA, from number four to number eight. Lebanon County, PA, and Genesee County, NY, both fell off the top-ten list and were replaced by Onondaga and Lewis counties, both in New York. Onondaga was in the top-ten from 2012-2014; Lewis has been on the list for all years since the Order's inception except 2004, 2014, and 2015.

Some of the shifting in county rankings is due to the movement of milk in certain counties between different orders. For example, Wyoming County, NY, has farms that ship to handlers regulated by the Northeast Federal Order (FO #1), the Mideast Federal Order (FO#33), and the Western New York State Order. The data reported here only apply to the Northeast Order.

### Proportion of Farms and DDP

Overall, the top ten counties accounted for 28.4 percent of all farms shipping to handlers regulated on the Northeast Order in 2016, down slightly from 29 percent in 2015. Lancaster County, alone, accounted for 14.8

### Top Ten Counties Pooling on the Northeast Order, 2016

Rank	County	State	Volume Pooled on Order million lbs	Number of Farms	DDP
1	Lancaster	PA	2,328.7	1,638	3,884
2	Cayuga	NY	1,089.2	96	31,000
3	Wyoming	NY	822.3	104	21,604
4	St. Lawrence	NY	789.2	327	6,594
5	Franklin	VT	786.3	155	13,861
6	Addison	VT	751.0	106	19,357
7	Jefferson	NY	687.6	178	10,555
8	Franklin	PA	683.0	289	6,457
9	Onondaga	NY	588.5	72	22,332
10	Lewis	NY	587.5	185	8,676
Top Ten Total			9,113.3	3,150	7,905
Total Pooled on Order			26,977.6	11,095	6,643
Top Ten Proportion (%)			33.8	28.4	

Source: Northeast Order audited producer payroll reports.

percent of all farms on the Order. Of the top ten producing counties, Onondaga had the least number of farms, only 72 (0.6 percent of all farms), but accounted for 2.2 percent of the total volume of milk. Cayuga County accounted for less than 1 percent of all farms, but 4 percent of all milk pooled on the Order.

The top ten counties combined average Daily Deliveries per Producer (DDP) equaled 7,905 pounds in 2016, compared to 6,643 for all producers shipping on the Order. This is up from 7,275 pounds for the top ten and 6,280 pounds for the entire Order in 2015. Cayuga County reported the highest average DDP of the top ten counties. Lancaster County, with the largest pooled volume and number of producers, had the smallest DDP of the top ten counties with only 3,884 pounds. ❖

## Pool Summary for all Federal Orders, January–March, 2016–2017

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2016	2017	Change^	2016	2017	2016	2017
		pounds			dollars per hundredweight			
<b>1</b>	<b>Northeast</b>	<b>6,695,874,088</b>	<b>6,895,386,458</b>	<b>4.1</b>	<b>1.45</b>	<b>1.27</b>	<b>15.21</b>	<b>17.76</b>
5	Appalachian	1,442,154,740	1,418,159,768	(0.6)	N/A	N/A	16.44	19.40
6	Florida	725,038,699	680,746,235	(5.1)	N/A	N/A	18.61	21.52
7	Southeast	1,406,816,670	1,444,258,165	3.8	N/A	N/A	16.90	19.59
30	Upper Midwest	9,484,212,479	7,730,054,228	(17.6)	0.17	0.17	13.93	16.66
32	Central	4,038,256,764	3,991,486,120	(0.1)	0.40	0.31	14.15	16.80
33	Mideast	5,072,467,874	5,207,544,121	3.8	0.56	0.41	14.31	16.90
124	Pacific Northwest	2,063,653,089	1,774,803,666	(13.0)	0.21	0.03	13.97	16.51
126	Southwest	3,663,285,758	3,431,985,529	(5.3)	1.28	1.03	15.03	17.51
131	Arizona	1,329,516,986	1,310,541,874	(0.3)	N/A	N/A	14.21	16.70
All Market Total/Average		35,921,277,147	33,884,966,164	(4.6)	0.68	0.54	15.28	17.94

# Price at designated order location.

\* Price at 3.5% butterfat.

N/A = Not applicable.

^ Adjusted for leap year in 2016.

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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	752,655,764	\$11.90	89,566,035.92	
Butterfat	15,684,690	2.4753	38,824,313.16	
Less: Location Adjustment to Handlers			(2,882,962.02)	\$125,507,387.07
Class II— Butterfat	33,407,698	2.4246	81,000,304.60	
Nonfat Solids	49,554,963	0.8889	44,049,406.62	125,049,711.22
Class III— Butterfat	27,003,955	2.4176	65,284,761.61	
Protein	18,500,747	1.8198	33,667,659.37	
Other Solids	33,860,387	0.3345	11,326,299.46	110,278,720.44
Class IV— Butterfat	17,842,467	2.4176	43,135,948.22	
Nonfat Solids	41,437,573	0.6747	27,957,930.51	71,093,878.73
<b>Total Classified Value</b>				<b>\$431,929,697.46</b>
Add: Overage—All Classes				129,189.16
Inventory Reclassification—All Classes				73,128.17
Other Source Receipts	534,143 Pounds			20,935.28
<b>Total Pool Value</b>				<b>\$432,152,950.07</b>
Less: Producer Component Valuations @ Class III Component Prices				(409,668,045.06)
<b>Total PPD Value Before Adjustments</b>				<b>\$22,484,905.01</b>
Add: Location Adjustment to Producers				13,384,075.24
One-half Unobligated Balance—Producer Settlement Fund				1,018,954.96
Less: Producer Settlement Fund—Reserve				(1,179,136.88)
<b>Total Pool Milk &amp; PPD Value</b>	2,396,563,650 Producer pounds			<b>\$35,708,798.33</b>
Producer Price Differential		<b>\$1.49</b>		
Statistical Uniform Price		<b>\$17.30</b>		

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

# The Market Administrator's

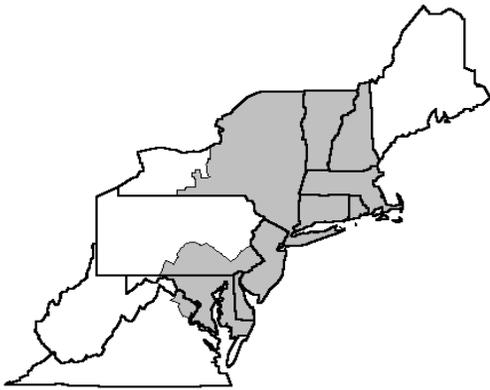
# BULLETIN

## NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

April 2017

Federal Order No. 1



To contact the Northeast Marketing Area offices:  
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### April Pool Price Calculation

The April 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.39 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 \$17.42 per hundredweight. The April statistical uniform price was 91 cents per hundredweight below the March price. The April producer price differential (PPD) at Suffolk County was \$1.17 per hundredweight, a decrease of 32 cents per hundredweight from last month.

### Product Prices Effect

For the third month in a row, all commodity product prices decreased from the previous month except dry whey. Cheese dropped 6 cents, butter fell 5 cents, and nonfat dry milk declined 1 cent, all on a per pound basis. These changes resulted in a 12-cent drop in the protein price, a 6-cent drop in the butterfat price and a 1-cent decline in the nonfat solids component price. Even though the butterfat price fell slightly, it was the second highest ever for the month of April since federal order reform.

All class prices decreased. The Class I price dropped 85 cents per hundredweight; the Class II price fell \$1.40; Class III declined 59 cents; and Class IV decreased 31 cents, per hundredweight, respectively. The declining prices, combined with a decrease in the highest-valued class and an increase in the lowest-valued class, resulted in both a lower SUP and PPD.

### Highlights

The total volume of producer milk receipts set a new record high for the month of April. In addition, April's daily delivery per producer set a new record for the Order and topped 7,000 pounds for the first time ever. The Class IV volume was the highest ever for the Order and the first time the total was greater than 500 million pounds. The average producer butterfat set a new record for April while the protein test tied with last year's record for the month. ❖

### Pool Summary

- A total of 11,017 producers were pooled under the Order with an average daily delivery per producer of 7,125 pounds.
- Pooled milk receipts totaled 2.355 billion pounds, an increase of 1.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 29.4 percent of total milk receipts, a decrease of 2.7 percentage points from March.
- The average butterfat test of producer receipts was 3.86 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	29.4	692,036,936
Class II	23.2	545,899,855
Class III	25.2	593,623,306
Class IV	22.2	523,274,699
Total Pooled Milk		2,354,834,796

#### Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	1.6955	1.8450
Butterfat Price	2.3548	2.2376
Other Solids Price	0.3350	0.0489

#### Class Price Factors

	2017	2016
	\$/cwt	
Class I	19.30	16.99
Class II	14.81	13.54
Class III	15.22	13.63
Class IV	14.01	12.68

## Market Situation

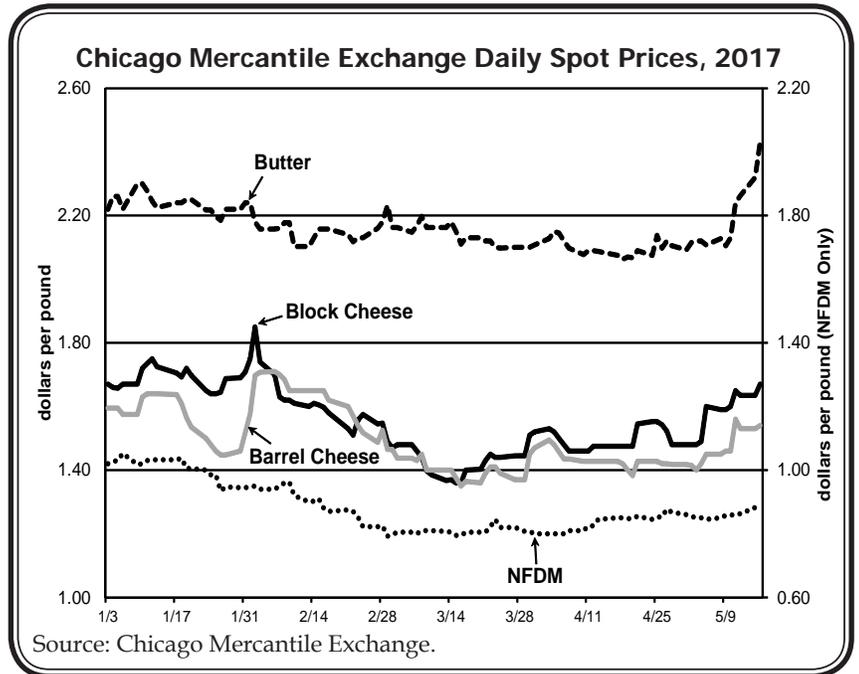
In the November 2016 *Bulletin*, Chicago Mercantile Exchange (CME) futures prices suggested that the 2017 annual average uniform price projected to be \$18.71 per hundredweight. The Statistical Uniform price (SUP) at the Boston, MA, zone has averaged \$17.42 per cwt for the January through April period of this year. Using CME Class III and Class IV milk futures prices settled on May 16, the SUP for 2017 projects to average \$17.87 per cwt for the year, averaging \$18.10 per cwt over the remaining eight months of the year and just over \$18.60 during each of the final 4 months of the year. Current projections suggest a SUP that is almost \$2.00 per hundredweight higher by August, and \$2.40 per cwt higher by October. Projected prices are presented on the accompanying table.

Currently, strength in the butter market, domestically and internationally, is a source of optimism for milk prices, though Class III is still projected as the mover of Class I pricing throughout 2017. The accompanying chart presents daily spot commodity prices on the Chicago Mercantile Exchange (CME) since the beginning of 2017. CME prices track fairly close to National Dairy Product Sales Report (NDPSR) prices, so the use of CME futures prices can be a reasonable estimate of where those prices are expected to head. The most recent 2 weeks show improving cheese and nonfat dry milk prices, and, most notably, a more dramatic jump in butter prices. Internationally, the butter price on the Global Dairy Trade reached an all-time high on March 16 at \$2.42 per pound at an 80 percent butterfat equivalent. Sustained strength in the butter price largely is seen as a result of continuing new consumer perspectives regarding butter. The higher prices are seen as demand driven and analysts predict butter prices to remain firm.

### Milk Production

United States milk production for the top-23 milk producing states in March was 1.8 percent higher than the previous year level. New York milk production increased 3.6 percent over the previous year, an increase only surpassed by 5 other top-23 milk producing states (though Texas and New Mexico increases may reflect recovery from the previous year's devastating winter storm). Pennsylvania was up 3.0 percent and Vermont was 0.9 percent higher. Pennsylvania's growth ranked eighth highest among the top-23 producing states. Regionally, the Northeast is still experiencing strong milk production through the spring flush months, contributing to record breaking Northeast Order pool volume.

Though record pool volumes have resulted in strong Class IV utilization as a balancing class, there has been



strength in milk utilized in other classes. Class II volume is just 11 million pounds below the 2013 record level for April. Class IV volume surpassed 500 million pounds for the first time, and at 523 million pounds, fell just 23 million pounds short of NOT being the lowest volume class. Due to surplus milk supplies, milk was priced at Class IV this month where it was brought to a plant, had the cream removed, and remaining skim dumped due to lack of processing capacity and demand for product. Still, even without this allocation of pounds to Class IV, the category would have finished above 500 million for the month. Class III volume was the highest since 2003.

### Demand Indicators

The Restaurant Performance Index (RPI) gained 1.1 percent in March (to 101.8) from 100.7 in February, it's highest level since February 2016, on the strength of improving sales and customer traffic levels. Restaurant operators remain generally optimistic about business conditions in the months ahead. The index is an important measure of domestic demand as a large volume of dairy products are used by the restaurant industry. Another important measure of domestic demand is the Conference Board's Consumer Confidence Index (CCI). This index decreased from 124.9 in March to 120.3 in April. Despite the decline, the index sat at 94.7 a year ago. Current signals suggest the domestic market should continue to support strong consumption of dairy products in the near term. In their May Global Dairy Market Outlook, the U.S. Dairy Export Council reported that U.S. exports accounted for 14.1 percent of total U.S. production on a solids basis in March 2017, up from 12.1 percent the previous year. ❖

## Manufactured Dairy Products — 2016 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2016 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table highlights selected products' changes from 2016 to 2015 and 2011, and the first 4 months of 2017.

### Cheese Production

Nationally, total cheese production (excluding cottage cheese) grew 2.5 percent from 2015. Increases were seen in American (1 percent), Italian (3.9 percent), and cream and Neufchatel (3.4 percent). Swiss experienced a slight decline. The other cheese category increased 2.2 percent with growth in Hispanic, feta, and Muenster; blue and gorgonzola, brick, Gouda and some other varieties declined. In the Northeast Order, milk used in 2016 cheese production (excluding cottage) increased 8.5 percent from 2015. American and cream cheese each increased over 4 percent while Italian grew 11.5 percent and Swiss and other type (includes Hispanic) jumped nearly 21 percent. Ricotta cheese increased 1.5 percent in the Northeast; nationally the production of ricotta rose 3.3 percent.

For the first 4 months of 2017, milk used in making cheese in the Northeast Order is up 6.8 percent, largely due to the increase in Italian-type cheese and Swiss and other-type cheeses.

### Other Products

U.S. butter production decreased slightly from 2015 to 2016 (down 0.8 percent); in the Northeast it rose 4.7 percent. Yogurt (plain and fruit flavored) declined 4.3 percent in 2016 nationally, but grew 9 percent in the Northeast Order. Nonfat dry milk (NFDM) dropped 4 percent from 2015, nationally. In the Northeast, milk used in the production of dry milk products (mostly nonfat, but does include some whole milk powder) grew 5 percent from 2015.

For the January-April 2017 period, Northeast milk used in butter is nearly 20 percent higher than during the same period in 2016, dried milk products are up 8.6 percent, and yogurt is down a slight 0.6 percent.

During 2016, a large increase occurred in milk used in the minimum price class, *other uses* as defined by Section 1000.40 of the Order. Other uses includes milk that is dumped, used for animal feed, destroyed, or lost by a handler in a vehicular accident, flood, fire, or similar occurrence beyond the handler's control. Due to the large volume of producer milk receipts during 2016, more milk was assigned to the minimum price class than in

### Change in Selected Manufactured Dairy Products, 2016

	Total US Production of Manufactured Products		Total Northeast Order Milk Used to Manufacture#		2017 YTD from: 2016
	2016 from:				
	2011	2015	2011	2015	
	(percent change)				
Cheese					
American <sup>^</sup>	12.2	1.0	16.1	4.5	0.3
Italian+	15.1	3.9	4.8	11.5	10.0
Cream and Neufchatel	26.9	3.4	16.9	4.3	(7.1)
Other*	19.8	2.2	45.1	20.9	38.5
Total Cheese(excludes cottage)	14.4	2.5	12.5	8.5	6.8
Butter	1.3	(0.8)	32.4	4.7	19.7
NFDM-	16.6	(4.0)	104.2	5.0	8.6
Yogurt	4.0	(4.3)	37.3	9.0	(0.6)

Source: USDA, NASS - *Dairy Products 2016 Summary*; Northeast Order pool report data; percent change adjusted for leap year.

# Based on total milk used in manufacture of products. 2017 comparison is for January-April only.

<sup>^</sup> Includes Cheddar, Colby, Monterey, and Jack.

+ Includes ricotta, mozzarella, parmesan, provolone, and other Italian varieties.

\* Includes Swiss, Hispanic, Muenster, feta, and other varieties.

- For human use; Northeast data includes some whole milk powder.

prior years. In many cases, surplus milk supplies were brought to a plant, the cream was removed, and the remaining skim was dumped due to lack of processing capacity and demand for the product. For the first 4 months of 2017, this category is more than double the same period in 2016 as milk production continues to be record setting.

### Leading States

The top three cheese-producing states continue to be Wisconsin, California, and Idaho in 2016; New York ranks fourth. Wisconsin remained the number one producer of American cheese and dry whey production, and became the number one producer of Italian cheese in 2016, surpassing California that continued to lead in butter, unsweetened condensed, ice cream, and nonfat dry milk. New York remained the largest producer of yogurt, sour cream, and lowfat and creamed cottage cheese. State rankings for certain products such as cream cheese were not given due to having fewer than 3 handlers reporting.

### Percent of Total Milk Production

Of U.S. total milk production, 76.9 percent was used in manufactured products (23.1 percent sold for fluid use) in 2016, up from 76.4 percent in 2015 and 72.6 percent in 2011.

In the Northeast Order, the total amount of pooled milk utilized in manufactured products equaled 66.9 percent in 2016; this compares to 65.2 in 2015 and 58.8 in 2011. The increase in milk used for manufacturing correlates with the decrease in milk utilized for fluid drinking products—the Class I decline—that has been consistent for the past six years. ❖

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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	677,910,815	\$11.00	74,570,189.65	
Butterfat	14,126,121	2.4808	35,044,080.98	
Less: Location Adjustment to Handlers			(2,635,518.13)	\$106,978,752.59
Class II— Butterfat	32,485,063	2.3618	76,723,221.78	
Nonfat Solids	47,231,491	0.7533	35,579,482.16	112,302,703.94
Class III— Butterfat	26,943,062	2.3548	63,445,522.39	
Protein	18,314,954	1.6955	31,053,004.54	
Other Solids	33,922,054	0.3350	11,363,888.23	105,862,415.16
Class IV— Butterfat	17,282,233	2.3548	40,696,202.26	
Nonfat Solids	46,511,773	0.6641	30,888,468.49	71,584,670.75
<b>Total Classified Value</b>				<b>\$396,728,542.44</b>
Add: Overage—All Classes				89,979.70
Inventory Reclassification—All Classes				68,778.37
Other Source Receipts	212,067 Pounds			7,435.30
<b>Total Pool Value</b>				<b>\$396,894,735.81</b>
Less: Producer Component Valuations @ Class III Component Prices				(382,617,943.82)
<b>Total PPD Value Before Adjustments</b>				<b>\$14,276,791.99</b>
Add: Location Adjustment to Producers				13,312,809.68
One-half Unobligated Balance—Producer Settlement Fund				1,140,036.39
Less: Producer Settlement Fund—Reserve				(1,175,589.70)
<b>Total Pool Milk &amp; PPD Value</b>	2,355,046,863 Producer pounds			<b>\$27,554,048.36</b>
Producer Price Differential		<b>\$1.17</b>		
Statistical Uniform Price		<b>\$16.39</b>		

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

# The Market Administrator's

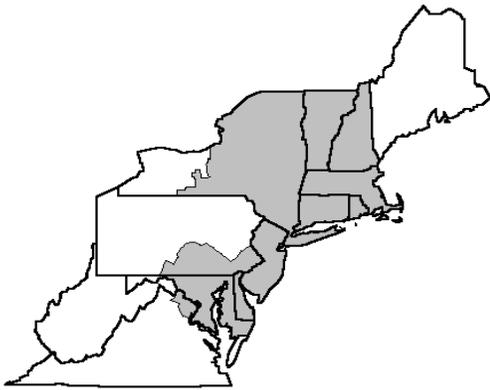
# BULLETIN

## NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

May 2017

Federal Order No. 1



To contact the Northeast Marketing Area offices:  
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### May Pool Price Calculation

The May 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.51 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 \$17.32 per hundredweight. The May statistical uniform price was 12 cents per hundredweight above the April price. The May producer price differential (PPD) at Suffolk County was \$0.94 per hundredweight, a decrease of 23 cents per hundredweight from last month.

#### Product Prices Effect

In contrast to the past 3 months, all commodity product prices increased from the previous month except dry whey. Cheese increased 4.3 cents, butter rose 4.8 cents, and nonfat dry milk was up 3.2 cents, all on a per pound basis. The dry whey price decreased slightly. These changes resulted in a nearly 8 cent jump in the protein price, a 6-cent increase in the butterfat price and a 3-cent rise in the nonfat solids component price. The average butterfat price for the January-May 2017 period is the highest on record for federal order pricing since order reform in 2000.

All class prices increased except the Class I price that was calculated on lower prices in April; it dropped 85 cents per hundredweight. The Class II price increased a slight 3 cents; Class III rose 35 cents; and Class IV was up 48 cents, per hundredweight, respectively. The tightening of the spread between the highest and lowest class prices, resulted in slightly higher SUP but a lower PPD.

#### Highlights

The total volume of producer milk receipts set a new record high for the Order, and for the first time ever topped 2.4 billion pounds. After decreasing each year from 2009-2014, the Class I volume for May has increased each year for the past 2 years. The Class II volume for May was the second highest ever for the month and the third highest ever for the Order. The Class IV volume was the highest for the month of May and the second highest ever for the Order. The average producer butterfat set a new record for May while the other solids test tied with past year's record for the month. ❖

### Pool Summary

- A total of 11,022 producers were pooled under the Order with an average daily delivery per producer of 7,119 pounds.
- Pooled milk receipts totaled 2.432 billion pounds, unchanged from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.7 percent of total milk receipts, an increase of 1.3 percentage points from April.
- The average butterfat test of producer receipts was 3.80 percent.
- The average true protein test of producer receipts was 3.03 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	30.7	745,548,247
Class II	24.4	593,685,186
Class III	25.3	616,211,124
Class IV	19.6	476,918,204
Total Pooled Milk		2,432,362,761

#### Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	1.7723	1.4935
Butterfat Price	2.4134	2.2846
Other Solids Price	0.3196	0.0529

#### Class Price Factors

	2017	2016
	\$/cwt	
Class I	18.45	16.95
Class II	14.84	13.53
Class III	15.57	12.76
Class IV	14.49	13.09

## Whole Milk Sales, Butterfat Prices—Both Higher

Even though the total volume of packaged fluid milk sales in the Northeast Marketing Area (NMA) by regulated pool handlers has been on a constant decline since the Order's inception, sales of whole milk have actually experienced growth in recent years. The accompanying table shows the change in annual sales from 2012 to 2016. In addition, it compares the first 5 months of 2017 with the same period in 2016 and 2012. Leap year adjustments have been made.

### Conventional Sales

As shown in the table, annual sales of whole milk grew 3.2 percent from 2012 to 2016 while total fluid sales in the NMA dropped 9.5 percent. When comparing the January-May period, sales of whole milk in 2017 have risen 2.7 percent from the same period in 2016 and 5.2 percent from 2012. Overall, total fluid sales are down 2.3 percent for the 5-month period compared to 2016 and down 11.2 percent compared to 2012. Flavored conventional whole milk rose 46.7 percent from 2012 to 2016, but for the January-May period in 2017, it is down nearly a percent from 2016.

### Organic Sales

Organic whole milk experienced an even greater increase than conventional whole, but overall only accounted for 2.4 percent of total packaged sales in the NMA during the 5-month period in 2017. This is up from 2.2 percent in 2016 and 1.2 percent in 2012.

In total, whole milk (conventional, organic, plain, and flavored) accounted for 39.2 percent of total packaged sales in the NMA during the January-May period in 2017. This is up from 37.2 percent for the same period in 2016, and 32.1 percent in 2012. Many articles in the media have been highlighting research that touts the benefits of whole milk over lower fat varieties--everything from brain development in young children to helping control weight in adults. In the Northeast, an area that historically had a higher percentage of its fluid sales in the whole milk category, versus the rest of the US, it appears this trend is continuing and even growing.

### Higher Butterfat Prices

Whole milk is of course a higher fat product than the

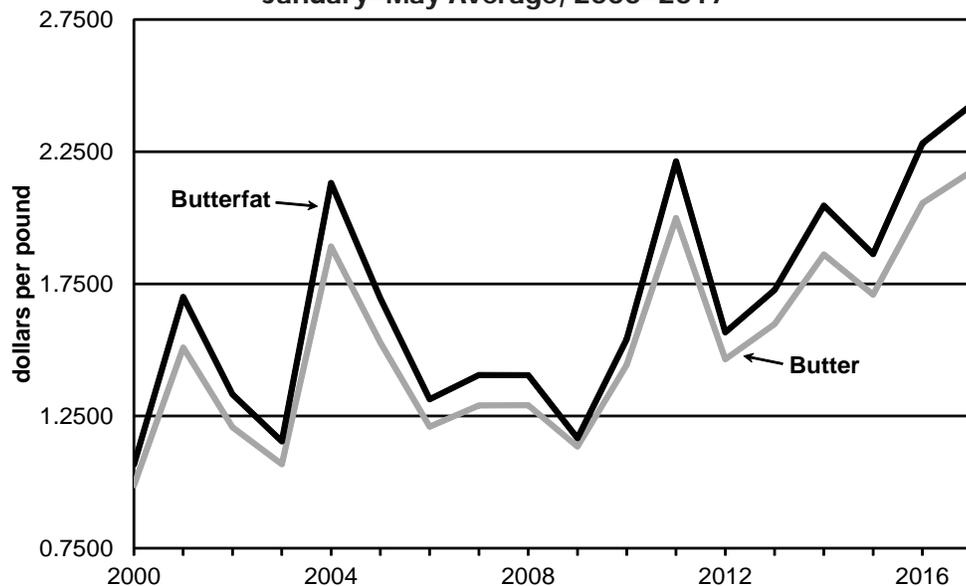
**Northeast Marketing Area—Change in Fluid Packaged Sales\***

	Annual	January-May	
	2012-16	2012-17	2016-17
	(percent)		
Whole Milk	3.2	5.2	2.7
Organic Whole Milk	67.7	82.5	7.9
Organic Reduced Fat Milk	1.5	3.1	(0.9)
Reduced Fat Milk (2%)	(9.7)	(11.0)	(2.6)
Low Fat Milk (1%)	(17.0)	(21.1)	(6.5)
Fat-Free Milk (Skim)	(36.0)	(42.2)	(12.2)
Flavored Whole Milk	46.7	46.3	(0.7)
Flavored Lower Fat Milk	(3.4)	(9.1)	(3.6)
Buttermilk/eggnog/misc	(7.3)	17.1	29.6
<b>Total</b>	<b>(9.5)</b>	<b>(11.2)</b>	<b>(2.3)</b>

\* Includes sales in the marketing area by regulated pool handlers.

other fluid milk products normally consumed. With its standardized minimum butterfat level of at least 3.25 percent, the quantity sold in the NMA absorbs a considerable volume of butterfat from the total amount of producer milk pooled under the Order. The use of fat keeps the butter price competitively high on the commercial market, which then results in higher NASS product prices for butter, and ultimately higher butterfat component prices for producers. This may be one of the contributing factors to the record-setting producer component butterfat price experienced during the first 5 months of 2017 (see chart). Another factor may be that the increase in the use of pooled milk in manufacturing butter, which has grown 21 percent in 2017 for the January-May period compared to 2016 and 54.4 percent compared to 2012, is also increasing demand for butterfat. ❖

**NASS Butter and Federal Order Butterfat Prices, January–May Average, 2000–2017**



Source: National Agricultural Statistics Service.

## Utilization Adjusts to Record Milk Volumes

Since November 2015, each month's total pool volume of milk has surpassed the same month of the previous year. This 19-month trend has resulted in record-setting volumes that have resulted in pool handlers facing some difficulty in balancing all of the milk pooled on the Order.

One of the factors contributing to the difficulty in utilizing the large volumes of milk has been the decrease in fluid packaged milk (Class I) that we have discussed many times in the *Bulletin*. In this issue, we will compare the changes in utilization in other classes for the first 5 months of 2017 to the same period 5 years ago; comparisons are adjusted for leap year in 2012.

### **What Has Changed?**

As expected, Class I volume is down 11.3 percent from 2012 to 2017. All of the other classes have experienced significant growth. Class II usage grew 7 percent from 2012 to 2017 for the 5-month period. Double-digit increases were recorded in the bakery/candy/soup category, ricotta cheese, and the ice cream/frozen desserts category. Yogurt, which saw extreme growth between 2010 and 2012, still showed a respectable 5.9 percent increase from 2012 to 2017.

### **Manufacturing Classes Absorb Milk**

Class III utilization rose 21.8 percent for the period compared from 2012 to 2017. Italian cheese grew 11 percent, American increased 24.5 percent, and Swiss and Other Cheeses (which includes the growing Hispanic cheese category) jumped 76.6 percent. Historically, Class IV was used for balancing and considered to be the surplus class since the manufactured products in this class, mainly butter and dried milk products, were the most storable. Levels would vary greatly depending on the need to utilize surplus milk. In more recent years, the volume of dried products manufactured has become more constant, and with the addition of processing capacity in the region for value-added high protein milk powders, Class IV has continued to increase in volume. For the 5-month period, Class IV rose 45.6 percent from 2012 to 2017. For 11 months straight, the monthly total utilized in Class IV has surpassed the same month during the previous year. Record-setting volumes have occurred in 14 out of the last 16 months. As discussed in the article on page 2, butter has grown 54.4 percent from 2012 to 2017. Dried milk products have jumped 64.7 percent for the same period.

### **Surplus Milk**

As mentioned above, the record-setting pooled volumes have been largely utilized in Classes II, III, and IV but in some months in the past year volumes have been too large to accommodate. As a result, the surplus has ended up in the Other Uses/Minimum Price Class category. Milk assigned to this class is paid at the minimum class

price for the current month. This is usually the Class IV price, but can be the Class II or III price. The assignment of this milk has been discussed in several past *Bulletins*.

Continuing large volumes of milk production have not only driven high utilizations in manufacturing classes in the Northeast, but have resulted in a decision by the Northeast Market Administrator to temporarily reauthorize the pooling of milk disposed of or "dumped" at farm or other non-plant locations for the requested period of June 1, 2017–August 31, 2017, subject to some conditions and audit verification by the Market Administrator. ❖

## Negative PPDs Below \$2.40 Zone

The May 2017 producer price differential (PPD) was \$0.94 per hundredweight (cwt) at Suffolk County, Massachusetts (Boston), the basing point for the Northeast Order and a \$3.25 differential zone. For the month of May, milk delivered to plants located in the zones below \$2.40, further away from the Boston base point, received a negative PPD. For the month of May, 23.3 percent of the milk pooled on the Order was received at plants in these zones.

### **Current PPD Dynamics**

The PPD in April (\$1.17 per cwt) was just positive enough to result in a positive PPD in all differential zones. In May, a 35 cents increase in the Class III price while the Class I price dropped 85 cents contributed to the decline in the PPD level that resulted in negative PPDs in some zones. The May Class I price was established in advance, when market prices used in the Class I price formula had declined. Since then, the Class III price recovered, narrowing the gap between the Statistical Uniform Price (SUP) and the Class III price. The Class I price for June has already been established at just 11 cents above May's Class I price. At this time all other Class prices are expected to rise, based on Chicago Mercantile Exchange futures prices. The result of these expected price dynamics is a higher SUP, higher Class II price, and a PPD that will be higher than May, but possibly still not high enough to avoid a negative PPD in some of the lower zones. Utilization percentages between the four classes have narrowed to some degree due to the large volume of milk finding a market in manufacturing classes while Class I stays fairly constant. The result is that the effective weight on the Class I price is much less than over a decade ago so it takes a larger degree of difference between the Class I price and other classes in order to generate large PPDs. This tightening of utilization percent levels makes the Order more susceptible to small and negative PPDs. ❖

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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	730,464,395	\$10.39	75,895,250.64	
Butterfat	15,083,852	2.4061	36,293,256.30	
Less: Location Adjustment to Handlers			(2,823,128.94)	\$109,365,378.03
Class II— Butterfat	34,510,469	2.4204	83,529,139.22	
Nonfat Solids	51,014,380	0.7333	37,408,844.89	120,937,984.11
Class III— Butterfat	26,904,876	2.4134	64,932,227.78	
Protein	18,401,788	1.7723	32,613,488.87	
Other Solids	35,363,632	0.3196	11,302,216.80	108,847,933.45
Class IV— Butterfat	15,841,886	2.4134	38,232,807.67	
Nonfat Solids	42,312,921	0.6956	29,432,867.86	67,665,675.53
<b>Total Classified Value</b>				<b>\$406,816,971.12</b>
Add: Overage—All Classes				317,936.13
Inventory Reclassification—All Classes				223,262.04
Other Source Receipts	181,962 Pounds			4,987.14
<b>Total Pool Value</b>				<b>\$407,363,156.43</b>
Less: Producer Component Valuations @ Class III Component Prices				(398,405,281.96)
<b>Total PPD Value Before Adjustments</b>				<b>\$8,957,874.47</b>
Add: Location Adjustment to Producers				13,749,068.09
One-half Unobligated Balance—Producer Settlement Fund				1,252,535.33
Less: Producer Settlement Fund—Reserve				(1,093,557.53)
<b>Total Pool Milk &amp; PPD Value</b>	2,432,544,723 Producer pounds			<b>\$22,865,920.36</b>
Producer Price Differential		<b>\$0.94</b>		
Statistical Uniform Price		<b>\$16.51</b>		

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

# The Market Administrator's

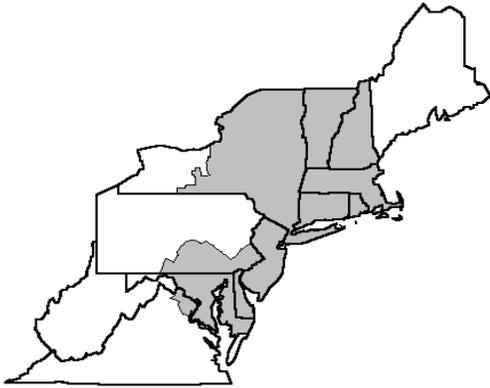
# BULLETIN

## NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

June 2017

Federal Order No. 1



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### June Pool Price Calculation

The June 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.53 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 \$18.28 per hundredweight. The June statistical uniform price was \$1.02 per hundredweight above the May price. The June producer price differential (PPD) at Suffolk County was \$1.09 per hundredweight, an increase of 15 cents per hundredweight from last month.

#### Product Prices Effect

All commodity product prices increased from the previous month except dry whey. Cheese increased 9 cents, butter jumped 24 cents, and nonfat dry milk rose 4 cents, all on a per pound basis. The dry whey price decreased about 2 cents. These changes resulted in a 29-cent jump in the butterfat price, a 4-cent increase in the nonfat solids price, and a nearly 2-cent decrease in the other solids price. Because of the significant rise in the butterfat price, which is a factor in the protein price formula, the protein component price decline about 2 cents. The average butterfat price for the January-June 2017 period is the highest on record for federal order pricing since order reform in 2000, while the January-June 2017 average protein component price is the lowest in 14 years.

All class prices increased. The Class I price increased 11 cents, Class II jumped \$1.31, Class III rose 87 cents, and Class IV was up \$1.40, per hundredweight, respectively. The higher prices caused a widening of the spread between the highest and lowest class prices and resulted in both a higher SUP and PPD.

#### Highlights

The total volume of producer milk receipts set a new record high for the month of June, as did the daily deliveries per producer (DDP). Similar to May, the Class I volume in June surpassed the previous year. Both the Class II and Class IV volumes for June were the second highest ever for the month. The average producer butterfat and protein tests set new record highs for June. ❖

### Pool Summary

- A total of 10,947 producers were pooled under the Order with an average daily delivery per producer of 6,913 pounds.
- Pooled milk receipts totaled 2.27 billion pounds, a decrease of 3.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.7 percent of total milk receipts, unchanged from May.
- The average butterfat test of producer receipts was 3.74 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Pooled Milk	Percent	Pounds
Class I	30.7	696,553,807
Class II	24.9	565,456,035
Class III	26.5	601,481,375
Class IV	17.9	406,660,798
Total Pooled Milk		2,270,152,015

#### Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	1.7545	1.4807
Butterfat Price	2.7066	2.4109
Other Solids Price	0.3014	0.0628

#### Class Price Factors

	2017	2016
	\$/cwt	
Class I	18.56	16.39
Class II	16.15	14.12
Class III	16.44	13.22
Class IV	15.89	13.77

## Contribution to Producer Price by Components

The statistical uniform price (SUP) varies each month based on the respective average component tests, prices of each component, utilization of producer milk by class, and the value of the producer price differential (PPD). The accompanying charts show the proportion components contributed to for the weighted average SUP for the month of June for the years 2007, 2012, 2016, and 2017.

### Butterfat and Protein

Proportions vary due to a multitude of factors. As the chart shows, depending on the combination of a component's price and test, the proportion changes. For example, even though the protein tests were lower in 2007 and 2012, the considerably high protein prices during those months contributed to a greater portion of the SUP than in 2016 and 2017. In contrast, the combination of higher

butterfat tests and prices in 2016 and 2017 resulted in higher butterfat proportion of the SUP in those months.

### Other Solids and PPD

Butterfat and protein tend to have the largest proportions of the overall value. Depending on the month and its respective price, other solids may contribute the smallest proportion. In the examples shown, the PPD contributed the least value in three out of four of the months. The percentage that the PPD contributed varies and its proportion is not only a reflection of a higher overall price, but is impacted by the utilization of milk in the pool as well as the amount of difference between the respective class prices and the SUP. As the charts show, a higher PPD is not directly correlated with a higher SUP. ❖

**Contribution to Total Gross Payment\*, June**

	2007				2012			
	Test percent	Price per pound	Gross dollars	Contribution percent	Test percent	Price per pound	Gross dollars	Contribution percent
<b>Butterfat</b>	3.58	1.6457	\$5,891.61	<b>28.1</b>	3.61	1.4866	\$5,366.63	<b>32.0</b>
<b>True Protein</b>	2.99	3.7059	\$11,080.64	<b>52.9</b>	2.99	2.8952	\$8,656.65	<b>51.6</b>
<b>Other Solids</b>	5.71	0.5831	\$3,329.50	<b>15.9</b>	5.77	0.3113	\$1,796.20	<b>10.7</b>
<b>PPD</b>		0.63	\$630.00	<b>3.0</b>		0.95	\$950.00	<b>5.7</b>
<b>Total gross payment</b>			\$20,931.75				\$16,769.48	
<b>Gross price per cwt</b>			<b>\$20.94</b>				<b>\$16.76</b>	

	2016				2017			
	Test percent	Price per pound	Gross dollars	Contribution percent	Test percent	Price per pound	Gross dollars	Contribution percent
<b>Butterfat</b>	3.68	2.4109	\$8,872.11	<b>57.3</b>	3.74	2.7066	\$10,122.68	<b>55.4</b>
<b>True Protein</b>	3.01	1.4807	\$4,456.91	<b>28.8</b>	3.04	1.7545	\$5,333.68	<b>29.2</b>
<b>Other Solids</b>	5.76	0.0628	\$361.73	<b>2.3</b>	5.74	0.3014	\$1,730.04	<b>9.5</b>
<b>PPD</b>		1.79	\$1,790.00	<b>11.6</b>		1.09	\$1,090.00	<b>6.0</b>
<b>Total gross payment</b>			\$15,480.75				\$18,276.40	
<b>Gross price per cwt</b>			<b>\$15.49</b>				<b>\$18.28</b>	

\*For a hypothetical farm producing 100,000 pounds of milk at pool average component tests.

## Market Situation

The Statistical Uniform price (SUP) at the Boston, MA, zone has averaged \$17.28 per hundredweight (cwt) for the January through June period of this year. Using CME Class III and Class IV milk futures prices settled on July 13, the SUP for 2017 projects to average \$17.81 per cwt for the year, averaging \$18.34 per cwt over the remaining six months of the year. Current projections suggest a SUP that is about \$1.00 per cwt higher for the final 4 months of the year than the June SUP. Projected prices are presented in the table on page 3.

The chart on page 3 presents daily spot commodity prices on the Chicago Mercantile Exchange (CME) since the beginning of 2017. CME prices track fairly close to

National Dairy Product Sales Report prices, so the use of CME futures prices can be a reasonable estimate of where those prices are expected to head. After four and half months of fairly steady, though slightly declining, butter prices that averaged \$2.15 per pound, the price jumped in mid May and has been supported above \$2.50 per pound since June 12. CME butter futures remain between \$2.59 and \$2.64 per pound through November of this year. CME Cheese futures are settling between \$1.55 per pound in July to just above \$1.73 per pound in November.

Sustained strength in the butter price is largely viewed as a result of continuing new consumer perspectives (continued on page 3)

## Market *(continued from page 2)*

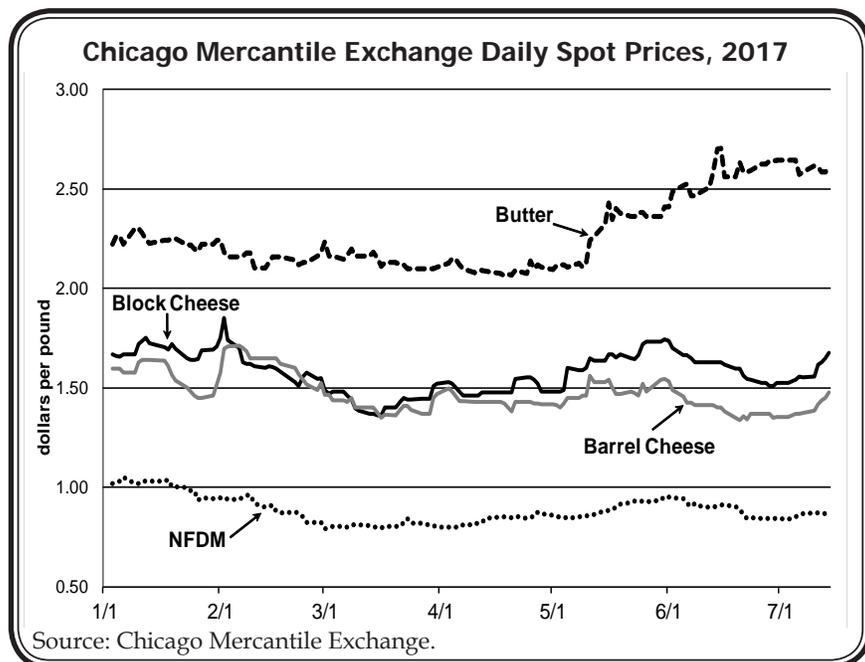
regarding butter. The higher prices are seen as largely demand driven and analysts predict butter prices to remain firm. International forces continue to further support butter prices. The combination of falling milk output in key producing countries and adverse weather

contributed to sending the international butter price to a record high in June, according to the UN Food and Agricultural Organization. Dairy Strategists at Rabobank predict butter prices will come back, but it may take months and not likely to “original levels.”

### Actual/Estimated Uniform Prices, June–December, 2017

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Average
<b>CME Futures-based Estimates (July 13 data)</b>								
Uniform Price (\$/cwt) (Boston zone)	17.53	17.68	18.08	18.43	18.66	18.68	18.49	\$17.81
PPD (\$/cwt) (Boston zone)	1.09	2.09	1.53	1.49	1.57	1.64	1.66	\$1.42

Note: Uniform price estimates based on utilizations predicted as of May 2017. All prices are per hundredweight except where indicated otherwise.



### Milk Production

United States milk production for the top-23 milk producing states in May was 1.8 percent higher than previous year levels. New York milk production increased 2.3 percent over the previous year, an increase surpassed by 8 other top-23 milk producing states. This is the first month since October 2015, that New York’s year-over-year growth was under 3 percent. Pennsylvania was up 2.1 percent and Vermont was 0.8 percent higher. Regionally, the Northeast is still experiencing strong milk production through the spring flush months, contributing to record-breaking Northeast Order pool volume, though the current June pool volume was only about level with last June. This may be indicative of slower production growth, which could help ease the strains on challenged Northeast manufacturing capacity going forward. ❖

## Pool Summary for All Federal Orders, January–June, 2016–2017

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2016	2017	Change^	2016	2017	2016	2017
		pounds			dollars per hundredweight			
<b>1</b>	<b>Northeast</b>	<b>13,597,809,126</b>	<b>13,952,736,030</b>	<b>2.6</b>	<b>1.56</b>	<b>1.17</b>	<b>15.04</b>	<b>17.29</b>
5	Appalachian	2,879,849,082	2,870,735,082	(0.3)	N/A	N/A	16.21	18.67
6	Florida	1,392,656,618	1,323,351,463	(5.0)	N/A	N/A	18.36	20.79
7	Southeast	2,836,437,086	2,893,462,584	2.0	N/A	N/A	16.58	18.88
30	Upper Midwest	18,876,520,153	16,008,292,102	(15.2)	0.21	0.15	13.68	16.26
32	Central	8,360,249,502	8,192,539,529	(2.0)	0.48	0.19	13.96	16.30
33	Mideast	10,291,090,215	10,562,597,144	2.6	0.68	0.33	14.16	16.45
124	Pacific Northwest	4,164,600,271	3,633,361,269	(12.8)	0.34	0.00	13.82	16.12
126	Southwest	7,304,822,873	6,726,456,326	(7.9)	1.35	0.98	14.83	17.09
131	Arizona	2,678,727,622	2,632,181,167	(1.7)	N/A	N/A	14.06	16.26
All Market Total/Average		72,382,762,548	68,795,712,696	(5.0)	0.77	0.47	15.07	17.41

# Price at designated order location. \* Price at 3.5% butterfat. N/A = Not applicable. ^ Adjusted for leap year in 2016.

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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	681,822,782	\$10.59	72,205,032.61	
Butterfat	14,731,025	2.3817	35,084,882.24	
Less: Location Adjustment to Handlers			(2,638,357.97)	\$104,651,556.86
Class II— Butterfat	32,731,865	2.7136	88,821,188.83	
Nonfat Solids	48,540,921	0.7656	37,162,929.12	125,984,117.95
Class III— Butterfat	25,168,329	2.7066	68,120,599.27	
Protein	18,267,218	1.7545	32,049,833.99	
Other Solids	34,394,178	0.3014	10,366,405.27	110,536,838.53
Class IV— Butterfat	12,351,021	2.7066	33,429,273.45	
Nonfat Solids	35,958,489	0.7384	26,551,748.27	59,981,021.72
<b>Total Classified Value</b>				<b>\$401,153,535.06</b>
Add: Overage—All Classes				48,286.24
Inventory Reclassification—All Classes				762,277.22
Other Source Receipts	157,570 Pounds			4,858.41
<b>Total Pool Value</b>				<b>\$401,968,956.93</b>
Less: Producer Component Valuations @ Class III Component Prices				(390,205,945.70)
<b>Total PPD Value Before Adjustments</b>				<b>\$11,763,011.23</b>
Add: Location Adjustment to Producers				12,928,036.39
One-half Unobligated Balance—Producer Settlement Fund				1,135,839.37
Less: Producer Settlement Fund—Reserve				(1,080,512.53)
<b>Total Pool Milk &amp; PPD Value</b>	2,270,309,585 Producer pounds			<b>\$24,746,374.46</b>
Producer Price Differential		<b>\$1.09</b>		
Statistical Uniform Price		<b>\$17.53</b>		

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

# The Market Administrator's

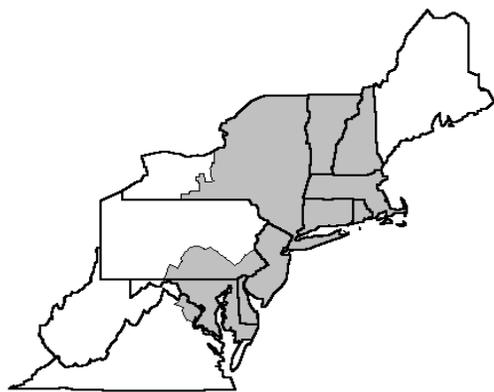
# BULLETIN

## NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 2017

Federal Order No. 1



To contact the Northeast Marketing Area offices:  
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;  
 e-mail address: [Northeast Order@fedmilk1.com](mailto:Northeast Order@fedmilk1.com)  
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## July Pool Price Calculation

The July 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.01 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 \$18.69 per cwt. The July statistical uniform price was 48 cents per cwt above the June price. The July producer price differential (PPD) at Suffolk County was \$2.56 per cwt, an increase of \$1.47 per cwt from last month.

### Product Prices Effect

All commodity product prices decreased from the previous month except butter that jumped almost 20 cents per pound. Cheese dropped nearly 9 cents, dry whey fell 4 cents, and nonfat dry milk decreased about 1.5 cents, all on a per pound basis. These changes resulted in a 24-cent jump in the butterfat price, but declines of 4 cents in the other solids price and 1.5 cents nonfat solids price. Because of the considerable increase in the butterfat price, which is a factor in the protein price formula, the protein component price fell nearly 53 cents. The butterfat price was the highest ever for July while the protein price was the lowest ever for the month.

All class prices increased except Class III due to the lower protein price that resulted in a 99-cent drop. The Class I price increased \$1.28, Class II jumped \$1.33, and Class IV rose 71 cents per cwt, respectively. The Class I and II prices were set in advance using higher commodity prices in June. In addition, the Class II price benefitted from the higher butterfat price in July, as did the Class IV price, both of which incorporate the current month's butter price into their respective formulas. The higher prices caused a widening of the spread between the highest and lowest class prices and resulted in a higher SUP and substantially higher PPD than has occurred since the end of 2015.

### Highlights

The total volume of producer milk receipts set a new record high for the month of July. Class I volume topped the previous year for the third month in a row. The average producer butterfat and protein tests set new record highs for July. ❖

## Pool Summary

- A total of 11,239 producers were pooled under the Order with an average daily delivery per producer of 6,618 pounds.
- Pooled milk receipts totaled 2.306 billion pounds, a decrease of 1.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 29.6 percent of total milk receipts, down 1.1 percentage points from June.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	29.6	682,600,515
Class II	24.7	568,558,989
Class III	28.2	650,501,397
Class IV	17.5	404,149,873
Total Pooled Milk		2,305,810,774

### Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	1.2248	1.9112
Butterfat Price	2.9456	2.5964
Other Solids Price	0.2599	0.0774

### Class Price Factors

	2017	2016
	\$/cwt	
Class I	19.84	16.95
Class II	17.48	15.16
Class III	15.45	15.24
Class IV	16.60	14.84

## Manufactured Dairy Products—Northeast Order Contrasts with U.S.

The total utilization of milk in the Northeast Order is up 2.6 percent for the first 6 months of 2017, compared to the same period in 2016. Overall Class I usage is down 2.1 percent for the same period, although this decline has been somewhat mitigated in the past few years.

The manufacturing classes (II, III, and IV) have all reported increases for the first 6 months of 2017. This article compares the milk used for specific products within these classes based on handlers' reporting of how milk is used (in their plants or to the plants they supply) to national data for the end products produced as reported by the National Agricultural Statistics Service in their *Dairy Products* monthly report. All comparisons have been adjusted for leap year in 2016. The accompanying table highlights selected products' changes from 2016 to 2017 for the January-June period.

### Class II

Class II utilization has increased a slight 0.6 percent for the first 6 months of 2017. The ice cream category is up a slight 0.1 percent, yogurt increased 0.8 percent, and sour cream declined 3.6 percent. Nationally, total ice cream manufactured is up 0.3 percent, yogurt is down 0.4 percent, and sour cream is up 2.4 percent. Cottage cheese is down considerably both in the Northeast and nationally. The one category to show significant growth in the Northeast is milk used to make ricotta cheese, which jumped 11.9 percent. Nationally, ricotta is included with Italian cheese. Packaged cream milk usage rose 3.7 percent in the Northeast; *Dairy Products* does not report this as a manufactured item.

### Class III

Northeast Order Class III utilization rose 6.3 percent for the January-June period. American cheese increased 1.4 percent, cream cheese dropped 3.1 percent, Italian (not including ricotta) rose 6.7 percent, and Swiss and other-type cheeses jumped 38.5 percent. Adding milk used in ricotta to Italian results in an overall increase in Italian cheese milk usage of 7.0 percent. Nationally, Italian cheese manufactured grew only 1.8 percent while American cheese production was up 4.7 percent. Total cheese milk usage (excluding cottage) rose 6.5 percent in the Northeast Order. Nationally, total cheese production increased 3.3 percent for the first 6 months of 2017.

### Class IV

Milk used in Class IV increased 5.8 percent for the period in 2017. Usage in butter grew 20.4 percent

**Change in Selected Products—Northeast Order Utilization\* vs. U.S. Dairy Products Manufactured, January–June, 2016 and 2017**

Product	Percent Change	
	Northeast	U.S.
Ice Cream	0.1	0.3
Sour Cream	(3.6)	2.4
Yogurt	0.8	(0.4)
American Cheese	1.4	4.7
Italian Cheese**	7.0	1.8
Total Cheese^	6.5	3.3
Butter	20.4	(1.2)
Dried Products~	4.6	3.3

\* Milk and cream products utilized by pool plants or transferred by pool plants to non-regulated plants for manufacturing selected dairy products.

\*\* Includes ricotta.

^ Excludes cottage cheese; includes cream cheese, American, Italian, Swiss and other varieties.

~ Includes nonfat dry milk and dry whey (and whole milk powder in the Northeast).

and dried milk products (includes such products as nonfat and whole dry milk and dry whey) rose 4.6 percent. Nationally, butter production declined 1.2 percent for the same period while nonfat dry milk increased 2.9 percent and dry whey rose 4.1 percent.

The total minimum price class – other uses – as defined in Section 1000.40 of the Order has risen 7.6 percent for the 6-month period in 2017. It is included as manufactured milk for total calculations.

### Percent of Total Milk Production

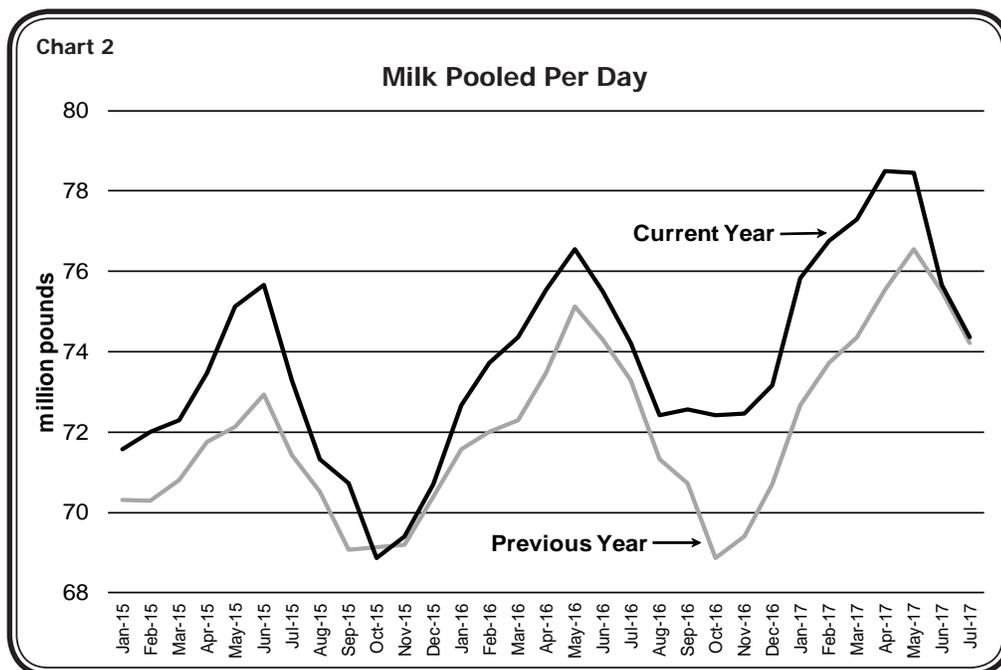
Of U.S. total milk production, 76.9 percent was used in manufactured products (23.1 percent sold for fluid use) in 2016. Data for 2017 is not available yet. In the Northeast Order, the total amount of pooled milk utilized in manufactured products equaled 66.9 percent in 2016 (33.1 percent for fluid use). For the first 6 months of 2017, the total pooled volume used in manufacturing was 68.3 percent, compared to 67.3 percent for the first 6 months of 2016. ❖

### Pool Volume Growth Slowing

During July, 2.3 billion pounds were pooled on the Northeast Order. It marks the 21<sup>st</sup> consecutive month in which a record for the respective month was set. That period included months in which pool volume grew by almost 4.5 percent over a record volume the previous year. Since 2000, on average, annual Northeast pool (continued on page 3)

## Pool Volume *(continued from page 3).*

volume increased 0.08 percent year-over-year, ranging from a decline of 5.7 percent in 2004 (some depooling contributed to the decline that year) to an increase of 4 percent in 2005. Only 4 of 16 years through 2016 had a year-over-year decline in pool volume. Through July, 2017 is up 2.3 percent over the same period in 2016. Though it is not atypical for pool volumes to increase (the last decline was in 2009), growth in 2016 and 2017 has been well above average and is a reflection of both milk availability in the region and demand for milk by plants in the Northeast.

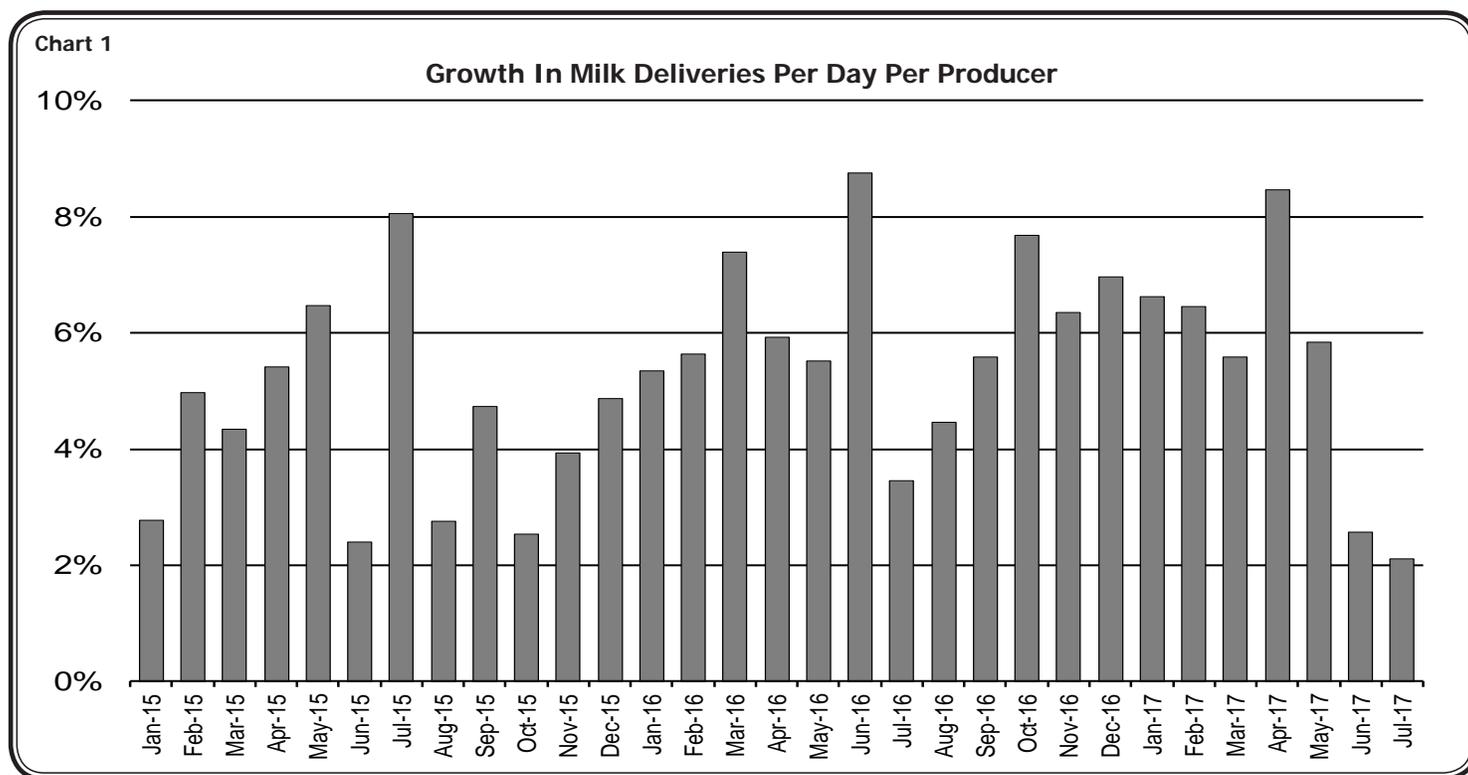


### Some Slowing of Pool Volume

Chart 1 presents average daily pool volume during the current year versus the previous year from January 2015 to present. The large gap between the lines from September 2016 on reflects the recent period of strong milk production and pool volumes. However, during the most recent two months, milk pooled on the Order only increased 0.31 and 0.22 percent in June and July, respectively. Though not a contraction, it is the lowest increase since the last time the pool volume declined, in October 2015, and may reflect plant capacity limits

along with ability of plants to profitably process and sell final products.

Additionally, average daily deliveries per producer (DDP) also have declined. July DDP equaled 6,618 pounds. Though still a record for the month of July, year-over-year growth in DDP barely topped 2 percent, the smallest increase since mid-2014. Chart 2 presents year-over-year growth in DDP since January 2015. A slowing of milk production in the region could ease the stress on the market to some degree. ❖



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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	667,907,157	\$10.57	70,597,786.49	
Butterfat	14,693,358	2.7537	40,461,099.92	
Less: Location Adjustment to Handlers			(2,595,459.06)	\$108,463,427.36
Class II— Butterfat	32,695,571	2.9526	96,536,942.92	
Nonfat Solids	48,776,986	0.8233	40,158,092.53	136,695,035.45
Class III— Butterfat	25,759,509	2.9456	75,877,209.73	
Protein	19,672,030	1.2248	24,094,302.37	
Other Solids	37,366,004	0.2599	9,711,424.41	109,682,936.51
Class IV— Butterfat	12,537,152	2.9456	36,929,434.95	
Nonfat Solids	35,624,054	0.7240	25,791,815.11	62,721,250.06
<b>Total Classified Value</b>				<b>\$417,562,649.38</b>
Add: Overage—All Classes				126,156.16
Inventory Reclassification—All Classes				304,023.67
Other Source Receipts	144,365 Pounds			7,157.31
<b>Total Pool Value</b>				<b>\$417,999,986.52</b>
Less: Producer Component Valuations @ Class III Component Prices				(372,031,651.76)
<b>Total PPD Value Before Adjustments</b>				<b>\$45,968,334.76</b>
Add: Location Adjustment to Producers				13,134,486.50
One-half Unobligated Balance—Producer Settlement Fund				1,073,362.04
Less: Producer Settlement Fund—Reserve				(1,143,731.84)
<b>Total Pool Milk &amp; PPD Value</b>	2,305,955,139 Producer pounds			<b>\$59,032,451.46</b>
Producer Price Differential		<b>\$2.56</b>		
Statistical Uniform Price		<b>\$18.01</b>		

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

# The Market Administrator's

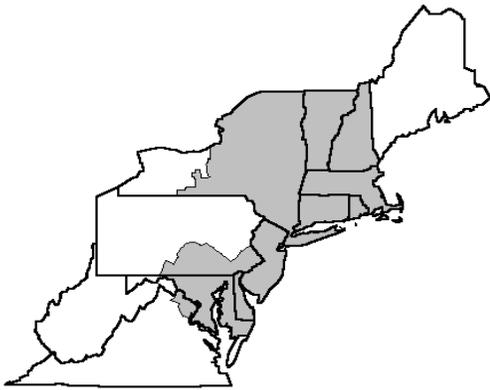
# BULLETIN

## NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

August 2017

Federal Order No. 1



To contact the Northeast Marketing Area offices:  
Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;  
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website address: [www.fmmone.com](http://www.fmmone.com)

## August Pool Price Calculation

The August 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.33 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 \$19.19 per hundredweight. The August statistical uniform price was 32 cents per hundredweight above the July price. The August producer price differential (PPD) at Suffolk County was \$1.76 per hundredweight, a decrease of 80 cents per hundredweight from last month.

### Product Prices Effect

Commodity product prices for butter and cheese increased from the previous month. Cheese jumped more than 12 cents per pound; butter rose over 5 cents per pound. Nonfat dry milk and dry whey each fell about 2 cents per pound. As a result of the commodity price changes, producer component prices for butterfat and protein both increases while nonfat solids and other solids prices both dropped slightly. Butterfat rose to over \$3.00 per pound for the first time since November 2015. Even though it was an increase from last month, the protein price was the lowest ever for the month of August.

All class prices rose from July and combined with slightly stronger utilization in the higher priced classes (I and II) resulted in an increase in the SUP. The spread in prices between the classes tightened somewhat and generated a lower PPD. The August SUP is the highest since December 2014.

### Highlights

The total volume of producer milk receipts set a new record high for the month of August. Daily deliveries per producer (DDP) for August were the highest on record for the month, but the lowest seen this year. Class I volume topped the previous year for the fourth month in a row.

The average producer butterfat and protein tests set new record highs for August. The butterfat test has surpassed the previous year's test for the past 10 months in a row. ❖

## Pool Summary

- A total of 11,200 producers were pooled under the Order with an average daily delivery per producer of 6,551 pounds.
- Pooled milk receipts totaled 2.274 billion pounds, a decrease of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 31.6 percent of total milk receipts, up 2.0 percentage points from July.
- The average butterfat test of producer receipts was 3.76 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.6	718,998,546
Class II	25.9	589,273,454
Class III	27.4	623,422,244
Class IV	15.1	342,603,375
Total Pooled Milk		2,274,297,619

### Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	1.5536	2.5738
Butterfat Price	3.0109	2.4873
Other Solids Price	0.2425	0.0881

### Class Price Factors

	2017	2016
	\$/cwt	
Class I	19.97	18.32
Class II	17.56	15.21
Class III	16.57	16.91
Class IV	16.61	14.65

## Federal Order Class I Comparison

The volume of producer milk receipts used in Class I (fluid drinking milk) is an important figure for federal orders since milk used in this class is almost always priced at the highest value of the four classes. Unfortunately, as has been well documented, this volume has been declining for years as sales of fluid drinking milk have dropped nationwide.

The accompanying table shows the Class I volume and average annual utilization percentages for all of the federal orders for the years 2012-2016 and the first 6 months of 2017. As the table depicts, all federal orders have experienced a decline in Class I utilization.

### Volume

The Northeast Order has the largest volume of milk utilized for Class I, accounting for about 22 percent of all federal order Class I volume. The Mideast Order ranks second, but its volume is only about two-thirds as much as the Northeast. During 2016, some of the orders experienced a modest increase in Class I from the previous year. Based on data for the first 6 months, it is unlikely this will occur again, but according to federal order data the decline in Class I seems to have slowed a bit.

### Percentage

In addition to increases in Class I volume, which can be impacted by changes in where plants are distributing packaged products, the increase in the utilization percentages may be due to depooling of milk on some of these orders. This can skew the Class I percentage as the milk depooled would have been utilized in classes other than Class I.

The orders that pay producers on a skim and butterfat only basis typically have higher Class I usage; these include the Appalachian, Florida, and Southeast Orders. Of the orders that pay on a multiple component basis, the Northeast Order has the highest Class I utilization percentage followed closely by the Southwest Order. Compared to the all-federal order average, the Northeast Order has always had a higher Class I percentage although the gap is tightening as Class I usage continues to decline. ❖

**Class I Volume and Utilization Percentage for Federal Orders**

Federal Order		Class I Volume					Jan-Jun
		2012	2013	2014	2015	2016	2017
Number	Name	million pounds					
<b>1</b>	<b>Northeast</b>	<b>9,802</b>	<b>9,508</b>	<b>9,123</b>	<b>8,943</b>	<b>8,828</b>	<b>4,344</b>
5	Appalachian	3,985	3,845	3,783	3,871	3,892	1,950
6	Florida	2,439	2,424	2,343	2,319	2,276	1,095
7	Southeast	4,483	4,163	3,905	3,906	3,839	1,889
30	Upper Midwest	3,818	3,686	3,587	3,502	3,421	1,631
32	Central	4,875	4,867	4,816	4,803	4,866	2,409
33	Mideast	6,218	6,448	6,245	6,279	6,427	3,183
124	Pacific Northwest	2,189	2,120	2,021	1,980	1,944	943
126	Southwest	4,283	4,324	4,310	4,293	4,353	2,086
131	Arizona	1,400	1,357	1,287	1,310	1,295	637
All Order Total		43,492	42,742	41,420	41,206	41,141	20,167
Federal Order		Class I Utilization					Jan-Jun
		2012	2013	2014	2015	2016	2017
Number	Name	percent					
<b>1</b>	<b>Northeast</b>	<b>39.7</b>	<b>37.4</b>	<b>35.4</b>	<b>34.3</b>	<b>32.7</b>	<b>31.1</b>
5	Appalachian	68.0	67.1	67.6	68.6	69.6	67.9
6	Florida	84.4	85.6	84.5	84.6	83.9	82.7
7	Southeast	66.0	67.9	73.8	75.0	71.2	65.3
30	Upper Midwest	12.4	10.7	10.9	11.6	10.4	10.2
32	Central	36.4	32.0	32.0	33.2	32.3	29.4
33	Mideast	37.0	38.6	36.1	34.2	32.7	30.1
124	Pacific Northwest	32.6	25.7	25.6	29.8	24.7	26.0
126	Southwest	42.9	33.5	35.5	36.1	34.2	31.0
131	Arizona	30.7	29.4	26.8	27.4	26.0	24.2
All Order Average		35.5	32.4	32.0	32.7	30.7	29.3

## Price Buoying Benefits of Butter

For the third month in a row, the butterfat price set a record high for the month. The August butterfat component price of \$3.0109 per pound marked just the third time since the order's inception that the price surpassed \$3.00 per pound. Reports of butter being described as anywhere from a healthy choice to not as bad as once thought, have painted a newer, healthier picture of butter, and consumers appear to be responding. Also not difficult to find are reports of restaurants and ingredient purchasers switching to butter. Reenergized demand for butter is lifting butter prices.

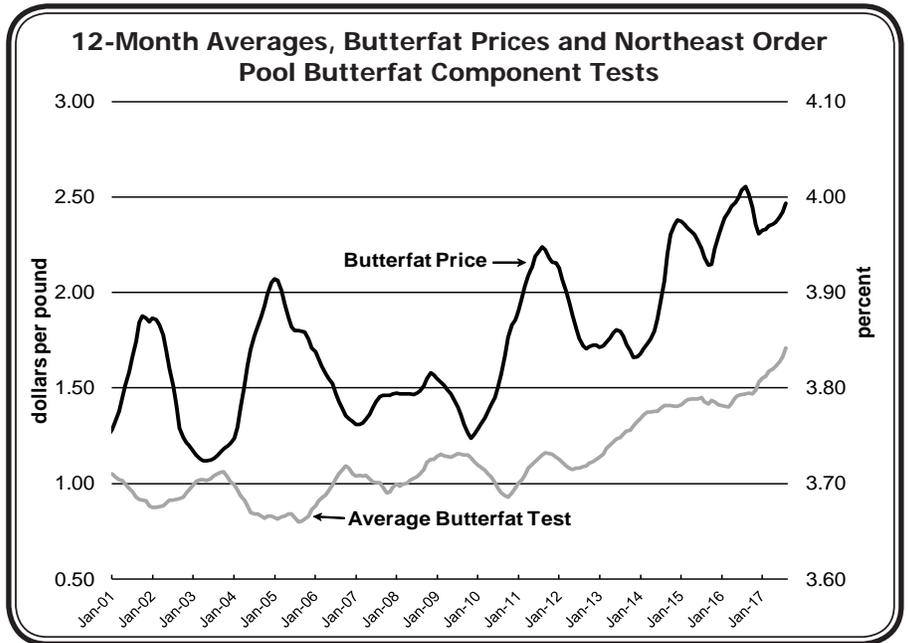
Strength in the butter price likewise is lending support to the Northeast statistical uniform price (SUP) received by producers. The August SUP as reported at Boston, MA, was \$18.33 per hundredweight (cwt). Using the average butter price for August from 2000 through 2016 in the price formula instead, while holding all else the same, the SUP at Boston, MA, would be \$15.84 per cwt, or \$2.49 per cwt less. In a market that has been characterized by strong milk production, this type of demand-side support of milk prices has made a difference.

*(continued on page 3)*

## Price Buoying Benefits *(continued from page 2)*

### Producers Responding

While the price of butterfat hits record highs, producer average component tests in the Northeast Order pool also have been setting records, and by large margins, relatively speaking. As an example, August's pool average 3.76 percent butterfat topped the previous August record of 3.69 in 2012. The accompanying chart depicts a 12-month moving average for butterfat tests and prices. This moving average was used to eliminate seasonality impacts. Most typically, the chart reflects that when butterfat tests are lower, the butterfat price increases, and vice-versa. Since 2014, the chart shows very high butterfat prices but with more of a steady, and then increasing, butterfat content in the milk. This would imply that the market is still calling for more butterfat.



### International Dynamics

U.S. butter prices, though strong, are still below prices in Europe and Oceania. In fact, September butter prices in Europe are about 50 percent higher than U.S. prices, while Oceania prices were nearly 10 percent higher. Until early 2017, U.S. butter prices generally were well above world prices going back to mid 2014. The U.S. butter trade balance turned positive in June 2017, the first time since January 2015. This result roughly coincides with the U.S. price becoming the lowest in the world market. There is some expectation that there will be growth in

New Zealand production that may pressure U.S. butter prices. At the same time, Russia has increased butter imports and, if continued, may help support world butter prices.

### Looking Ahead

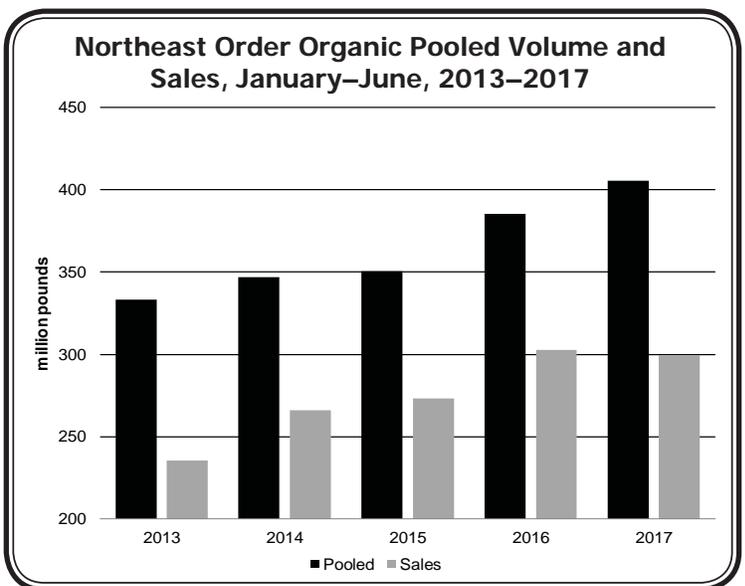
Chicago Mercantile Exchange butter futures remain above \$2.50 per pound through the end of this year, and continue above \$2.25 per pound through 2018. This would imply an expectation that butter demand and prices should continue to support milk prices in the near and middle terms. ❖

## Organic Sales Down But Production Continues

Recently there have been media reports about the sales of organic dairy products slowing while the production of milk on organic dairy operations continues to grow. The accompanying chart shows the Northeast Order pooled volume of milk from producers identified as organic compared to the total sales of organic fluid milk products as reported by handlers in the Northeast Milk Marketing Area for January through June for 2013-2017.

As seen in the chart, sales of organic products rose from 2013 through 2016 with the gap between sales and pooled volume decreasing until 2016 when it rose slightly as organic production outpaced sales. Organic pooled milk not sold as organic fluid sales may be utilized as conventional fluid sales or in manufactured products. For the first 6 months of 2017, organic milk pooled on the Northeast Order grew 5.2 percent from the same period in 2016. During the same time, organic sales in the Northeast Area have declined 1.1 percent. Data reported

by USDA's Agricultural Marketing Service estimate the same percent decline for the nation as a whole. ❖



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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	703,440,555	\$9.80	68,937,174.39	
Butterfat	15,557,991	3.0044	46,742,428.16	
Less: Location Adjustment to Handlers			(2,739,032.41)	\$112,940,570.18
Class II— Butterfat	34,399,691	3.0179	103,814,827.51	
Nonfat Solids	50,602,044	0.8056	40,765,006.66	144,579,834.17
Class III— Butterfat	26,502,982	3.0109	79,797,828.49	
Protein	18,936,243	1.5536	29,419,347.17	
Other Solids	35,652,672	0.2425	8,645,773.06	117,862,948.72
Class IV— Butterfat	8,986,204	3.0109	27,056,561.61	
Nonfat Solids	30,433,192	0.6984	21,254,541.29	48,311,102.90
<b>Total Classified Value</b>				<b>\$423,694,455.97</b>
Add: Overage—All Classes				18,634.89
Inventory Reclassification—All Classes				162,915.60
Other Source Receipts	178,463 Pounds			5,848.30
<b>Total Pool Value</b>				<b>\$423,881,854.76</b>
Less: Producer Component Valuations @ Class III Component Prices				(396,349,472.81)
<b>Total PPD Value Before Adjustments</b>				<b>\$27,532,381.95</b>
Add: Location Adjustment to Producers				12,799,303.89
One-half Unobligated Balance—Producer Settlement Fund				788,687.83
Less: Producer Settlement Fund—Reserve				(1,089,594.59)
<b>Total Pool Milk &amp; PPD Value</b>	2,274,476,082 Producer pounds			<b>\$40,030,779.08</b>
Producer Price Differential		<b>\$1.76</b>		
Statistical Uniform Price		<b>\$18.33</b>		

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

# The Market Administrator's

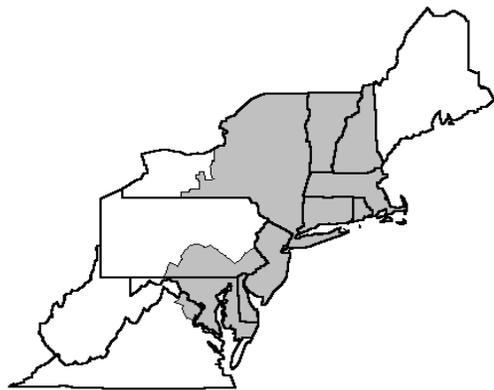
# BULLETIN

## NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

September 2017

Federal Order No. 1



To contact the Northeast Marketing Area offices:  
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;  
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 website address: [www.fmmone.com](http://www.fmmone.com)

### September Pool Price Calculation

The September 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.89 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 \$18.99 per hundredweight. The September statistical uniform price was 44 cents per hundredweight below the August price. The September producer price differential (PPD) at Suffolk County was \$1.53 per hundredweight, a decrease of 23 cents per hundredweight from last month.

### Product Prices Effect

All commodity product prices declined from the previous month. Butter dropped nearly 13 cents per pound; nonfat dry milk and dry whey each fell about 2 cents per pound; and cheese was down slightly. These decreases translated into lower prices for all components except protein, which due to the butterfat decrease that is incorporated into the protein price formula, increased over 14 cents per pound. Even though it declined, the September butterfat component price was the second highest ever for the month since the Order's inception.

All class prices decreased: Class I was down 1 cent; Class II fell 76 cents; Class III declined 21 cents; and Class IV dropped 75 cents, all on a per hundredweight basis. With lower class prices, the SUP declined from last month, although it was still 79 cents higher than a year ago.

### Highlights

The total volume of producer milk receipts continued to set a new record high for the month of September. Class IV volume also set a new September record high.

All producer component tests (butterfat, protein, and other solids) set new record highs for the month of September. The trend in higher butterfat and protein tests are discussed on page 2 in this *Bulletin*. ❖

### Pool Summary

- A total of 11,259 producers were pooled under the Order with an average daily delivery per producer of 6,454 pounds.
- Pooled milk receipts totaled 2.18 billion pounds, a decrease of 1.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 33.9 percent of total milk receipts, up 2.3 percentage points from August.
- The average butterfat test of producer receipts was 3.83 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	33.9	739,309,050
Class II	24.0	522,083,427
Class III	26.3	574,051,823
Class IV	15.8	344,402,833
Total Pooled Milk		2,179,847,133

#### Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	1.6988	2.5675
Butterfat Price	2.8559	2.3082
Other Solids Price	0.2241	0.1096

#### Class Price Factors

	2017	2016
	\$/cwt	
Class I	19.96	19.81
Class II	16.80	14.66
Class III	16.36	16.39
Class IV	15.86	14.25

## Butterfat and Protein: Higher Tests and Pounds

Northeast Order producer butterfat and protein component tests have set new record high levels nearly every month for the past year. The accompanying charts shows pool average producer butterfat and protein tests since the Order's inception in 2000. As the charts depict, tests have been on the rise, especially in recent years.

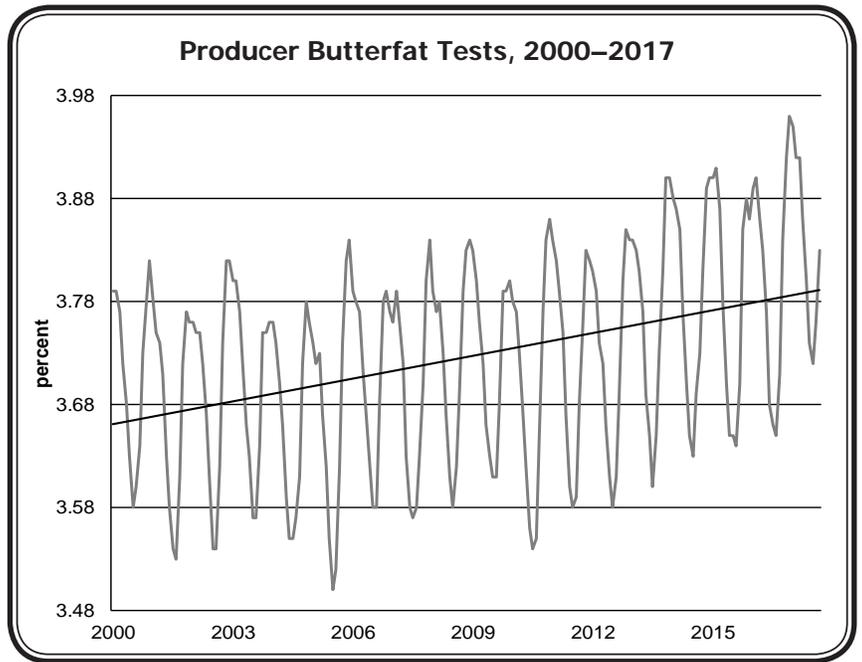
### Butterfat Tests

Producer butterfat tests have set new record highs each month for the past 11 months. When compared to the next highest test, past year levels have averaged 0.05 points higher for the past year. Compared to the lowest levels recorded, which were predominantly in 2004 and 2005, tests for the past year were 0.20 points higher. When compared to 2000 levels, the average was 0.14 points higher. Even though the overall average tests have shown a notable increase, the degree of seasonality has remained about the same.

### Protein Tests

Average protein tests have set new record highs during 10 of the past 12 months. Though not as dramatic as butterfat tests, protein tests have averaged 0.01 point higher than the next highest test for the past year. When compared to the lowest levels, which were in predominantly in 2000 and 2002, protein tests for the past year have been 0.13 points higher. Compared to the first year of the Order in 2000, tests for the past year have averaged 0.11 points higher.

Butterfat and protein tests can be affected by a number



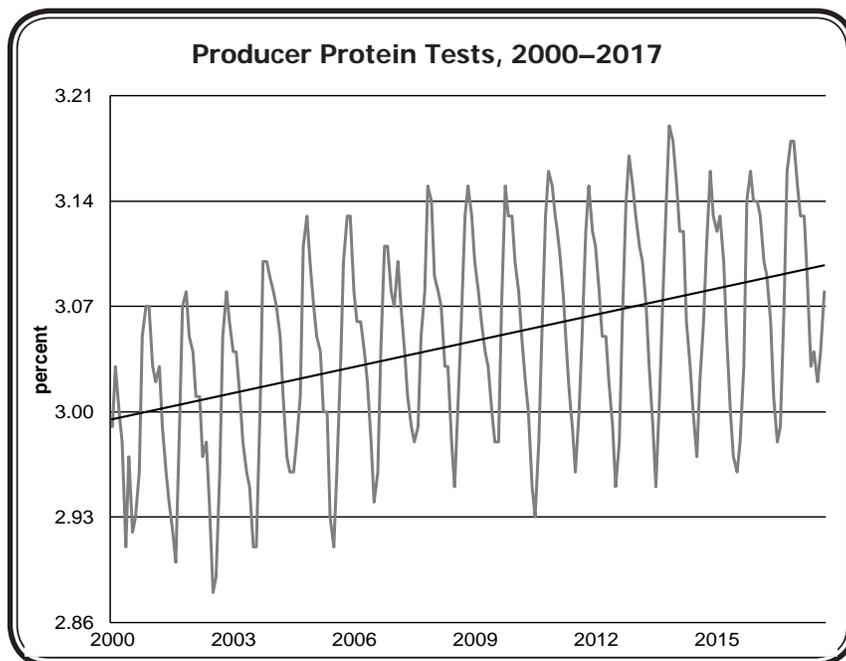
of factors such as changes in management practices, breeding, and feed quality and quantity.

### Volume of Butterfat and Protein

Corresponding to the increase in the butterfat and protein average tests, the total volume in pounds of butterfat and protein has increased. This is not only the result of higher tests, but also from the overall total increase in producer pooled milk. The total volume of butterfat in pounds was 3.9 percent higher for the January-September period in 2017 compared to 2016. When compared to 2000, the increase was 18.2 percent. If butterfat tests were unchanged from 2000, but production increased to the 2017 level, the increase in total butterfat pounds would be 3.9 percent. If total pooled pounds were unchanged from 2000, but butterfat tests increased to the 2017 level, the increase in total butterfat pounds would be 13.8 percent, showing that even though tests have risen the overall production increase has contributed more to the increase in pounds of butterfat available.

Protein follows a similar pattern. The total volume of protein pounds for the first nine months of 2017 were 2.8 percent higher than in 2016 and 18.1 percent greater than 2000. Using the same 2017 and 2000 comparisons as mentioned above for butter, gave the same percentage increases in total protein pounds.

For the most part, the market has utilized the increases in both butterfat and protein production, but evidenced by the strong butter prices the past few months, the demand for butter continues to be strong. ❖

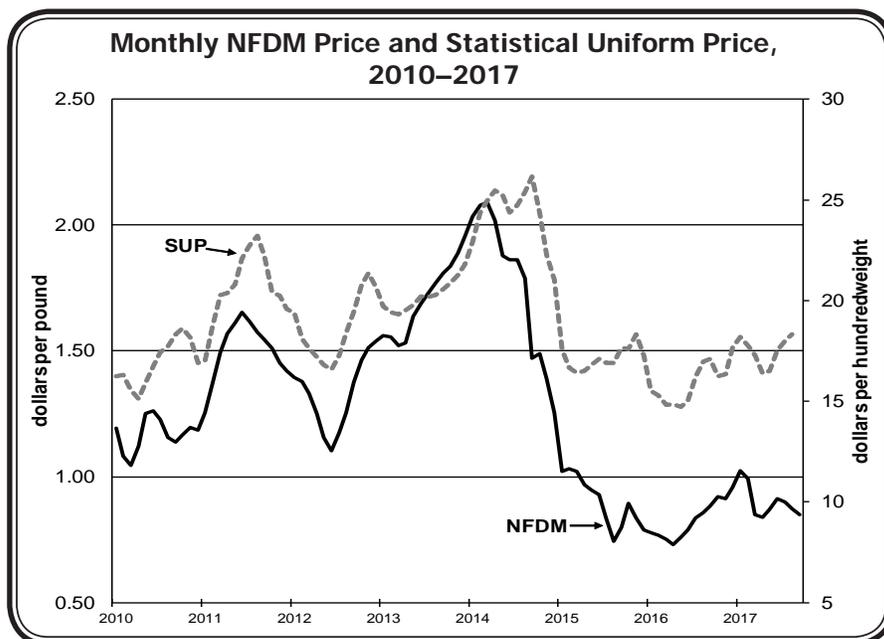


## NFDM Weighs Down Milk Prices

Last month's *Bulletin* included a discussion about strong butter prices lending support to the statistical uniform price (SUP). For the first 9 months of the year, cheese prices have averaged about 6 cents higher than the typical first 9-month average for cheese since 2000, and about 12 cents below the average for the same period since 2010. In other words, cheese prices have been close to an average level, so while they have not supported higher SUP levels, they also have not been a factor pulling the SUP down. As far as contributing to the milk price, it's nonfat dry milk (NFDM) that has been lagging behind and preventing more substantial milk price recovery.

### NFDM Prices Lower than Average

The accompanying chart presents recent monthly NFDM prices that have been used in all Federal Milk Market Order price formulas and the corresponding SUP. NFDM has averaged about \$0.90 per pound through the first 9 months of 2017 and \$0.88 per pound since January 2015. Since 2000, the NFDM price for the first 9 months of a year, as well as for an entire year, averaged \$1.14 per pound. Assuming all other dairy product prices remain as they are, a \$1.14 per pound NFDM price level would result in an SUP of \$19.58 per hundredweight (cwt) for September at the Boston, MA, location, about \$1.70 per cwt higher than actual. More recently, from 2010 through 2014, we grew accustomed to stronger NFDM prices that averaged \$1.50 per pound. Assuming all other September dairy product prices remain as they are, the \$1.50 per pound NFDM price would have resulted in an SUP of \$21.86 per cwt at Boston, MA, almost \$4.00 higher than the current price level.



### NFDM Price Outlook

Looking ahead, the question is whether NFDM prices will look more like their higher 2010-2014 levels or remain similar to currently low prices. Looking at the Chicago Mercantile Exchange futures prices for NFDM as of October 16, that market expects NFDM prices to remain below \$0.90 dollars per pound through the next 12 months, averaging \$0.826 per pound during that period.

As the United States dairy industry has become more sensitive to global pricing given the more substantial export volume, the European Union's (EU) large stocks of skim milk powder may play a role in where near term U.S. NFDM prices head. Until EU stocks are released and find a market, expectations are that NFDM prices will remain low. Changes to stocks in the EU and other exporting regions may have an impact on 2018 farm prices. ❖

## Pool Summary for all Federal Orders, January–September, 2016–2017

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2016	2017	Change^ percent	2016	2017	2016	2017
		pounds			dollars per hundredweight			
<b>1</b>	<b>Northeast</b>	<b>20,319,956,946</b>	<b>20,712,691,556</b>	<b>2.3</b>	<b>1.23</b>	<b>1.43</b>	<b>15.61</b>	<b>17.55</b>
5	Appalachian	4,221,498,707	4,308,221,350	2.4	N/A	N/A	16.69	18.88
6	Florida	2,029,351,261	1,938,636,187	(4.1)	N/A	N/A	18.81	20.97
7	Southeast	4,082,093,799	4,151,515,232	2.1	N/A	N/A	17.13	19.17
30	Upper Midwest	26,075,666,897	25,437,658,839	(2.1)	0.12	0.18	14.50	16.30
32	Central	11,735,859,065	12,508,353,280	7.0	0.22	0.35	14.60	16.46
33	Mideast	14,979,476,766	15,560,118,743	4.3	0.38	0.57	14.76	16.69
124	Pacific Northwest	6,132,821,841	5,859,804,369	(4.1)	0.03	0.21	14.41	16.33
126	Southwest	10,261,379,495	10,333,706,017	1.1	1.09	1.15	15.47	17.27
131	Arizona	3,788,409,010	3,869,900,163	2.5	N/A	N/A	14.69	16.54
<b>All Market Total/Average</b>		<b>103,626,513,787</b>	<b>104,680,605,736</b>	<b>1.4</b>	<b>0.51</b>	<b>0.65</b>	<b>15.66</b>	<b>17.62</b>

# Price at designated order location.

\* Price at 3.5% butterfat.

N/A = Not applicable.

^ Adjusted for leap year in 2016.

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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	723,319,898	\$9.58	69,294,046.23	
Butterfat	15,989,152	3.0616	48,952,387.76	
Less: Location Adjustment to Handlers			(2,762,987.50)	\$115,483,446.46
Class II— Butterfat	30,521,339	2.8629	87,379,541.43	
Nonfat Solids	45,067,429	0.7811	35,202,168.76	122,581,710.19
Class III— Butterfat	24,534,999	2.8559	70,069,503.63	
Protein	17,648,909	1.6988	29,981,966.64	
Other Solids	32,875,354	0.2241	7,367,366.79	107,418,837.06
Class IV— Butterfat	12,517,029	2.8559	35,747,383.11	
Nonfat Solids	30,483,817	0.6753	20,585,721.63	56,333,104.74
<b>Total Classified Value</b>				<b>\$401,817,098.45</b>
Add: Overage—All Classes				42,196.68
Inventory Reclassification—All Classes				(147,567.00)
Other Source Receipts	394,397 Pounds			11,093.50
<b>Total Pool Value</b>				<b>\$401,722,821.63</b>
Less: Producer Component Valuations @ Class III Component Prices				(380,649,551.96)
<b>Total PPD Value Before Adjustments</b>				<b>\$21,073,269.67</b>
Add: Location Adjustment to Producers				12,188,394.53
One-half Unobligated Balance—Producer Settlement Fund				1,010,130.87
Less: Producer Settlement Fund—Reserve				(914,099.62)
<b>Total Pool Milk &amp; PPD Value</b>	2,180,241,530 Producer pounds			<b>\$33,357,695.45</b>
Producer Price Differential		<b>\$1.53</b>		
Statistical Uniform Price		<b>\$17.89</b>		

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

# The Market Administrator's

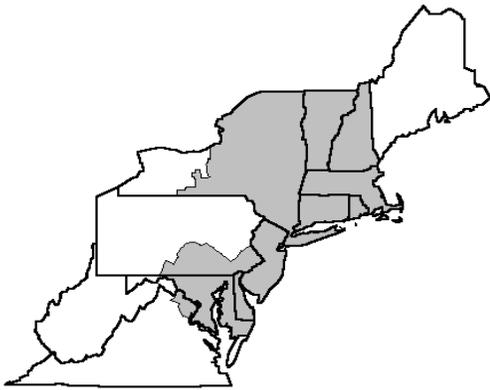
# BULLETIN

## NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2017

Federal Order No. 1



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 website address: [www.fmmone.com](http://www.fmmone.com)

### October Pool Price Calculation

The October 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.44 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 \$18.64 per hundredweight. The October statistical uniform price was 45 cents per hundredweight below the September price. The October producer price differential (PPD) at Suffolk County was \$0.75 per hundredweight, a decrease of 78 cents per hundredweight from last month.

### Product Prices Effect

All commodity product prices declined from the previous month except cheese, which rose 6.5 cents per pound. Butter dropped nearly 16 cents per pound resulting in a 19-cent decline in the butterfat price. Nonfat dry milk and dry whey each fell about 4 cents per pound, which equated to 4-cent per pound drops in both the nonfat and other solids prices. The increase in the cheese price, combined with the decrease in the butterfat price, translated into a 41-cent per pound jump in the protein price.

All class prices decreased except Class III that rose 33 cents per hundredweight. Class I declined 27 cents; Class II fell 85 cents; and Class IV dropped \$1.01, all on a per hundredweight basis. These changes resulted in a lower SUP, compared to last month, but the October price was still \$1.21 per hundredweight higher than a year ago.

### Highlights

For the first time in 2 years, the total volume of producer milk receipts did not set a new record high for the month, although it was the second highest ever for the month of October. Both Class II and Class III volumes set new October record highs.

The average producer component butterfat test tied with 2015's record high. The average other solids test set a new record for the month of October. ❖

### Pool Summary

- A total of 11,164 producers were pooled under the Order with an average daily delivery per producer of 6,481 pounds.
- Pooled milk receipts totaled 2.243 billion pounds, a decrease of 0.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 34.3 percent of total milk receipts, up 0.4 percentage points from September.
- The average butterfat test of producer receipts was 3.85 percent.
- The average true protein test of producer receipts was 3.12 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	34.3	768,478,332
Class II	25.2	565,198,112
Class III	26.2	588,717,899
Class IV	14.3	320,507,815
Total Pooled Milk		2,242,902,158

### Producer Component Prices

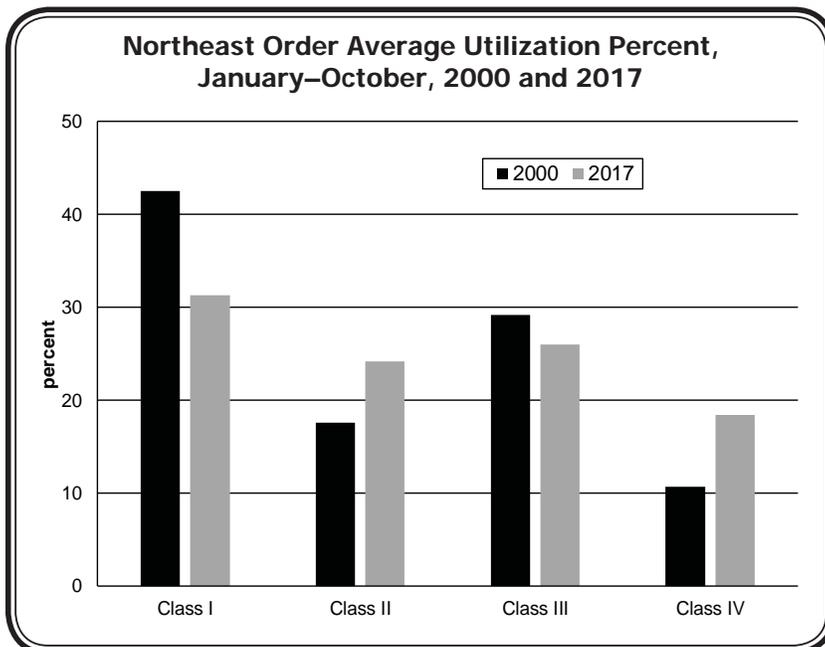
	2017	2016
	\$/lb	
Protein Price	2.1084	2.2975
Butterfat Price	2.6646	2.0493
Other Solids Price	0.1853	0.1351

### Class Price Factors

	2017	2016
	\$/cwt	
Class I	19.69	19.85
Class II	15.95	14.09
Class III	16.69	14.82
Class IV	14.85	13.66

## Some Negative PPDs and Pooling Surplus Milk

The October 2017 producer price differential (PPD) was \$0.75 per hundredweight (cwt) at Suffolk County, Massachusetts (Boston), the basing point for the Northeast Order and a \$3.25 differential zone. For the month of October, milk delivered to plants located in the zones below \$2.50 (a region running through Central New York and South Central Pennsylvania), further away from the Boston base point, received a negative PPD. The accompanying table presents the total volume of milk pooled and the total milk pooled by class, by differential zone, for the month of October 2017. For the month of October, 26.1 percent of the milk pooled on the Order was received at plants in these zones impacted.



### Current PPD Dynamics

In October, a 33 cents increase in the Class III price, while all other class prices decreased, contributed to the decline in the PPD level that resulted in negative PPDs in some zones. The October Class I price was established in advance, when market prices used in the Class I price formula had declined. Since then, the Class III price recovered, narrowing the gap between the Statistical Uniform Price and the Class III price. The Class I price for November has already been established at 3 cents below October's Class I price. At this time all other class prices are expected to decline, based on Chicago Mercantile Exchange futures prices as of November 15, 2017. The result of these expected price dynamics is a lower SUP for November, lower

Class II price, and a PPD that will be lower than October, but still high enough to be positive in some zones.

Utilization percentages between the four classes have narrowed over time, even more so recently, due to the large volume of milk finding a market in a manufacturing class while Class I stays fairly constant. The accompanying chart presents the average percent utilization of the four classes for the first 10 months of the year for 2000 and 2017. The range in utilization percent from lowest to highest in 2000 was 31.8 percentage points. This range in 2017 is a narrower (continued on page 3)

### Northeast Order Pool Milk from Producers by Plant Location at Which Priced, October 2017

Selected Locations	Location Differential	Producer Price Differential	Statistical Uniform Price	Class				Total Pool Pounds
				Class I	Class II	Class III	Class IV	
				(million pounds)				
Boston, MA	3.25	0.75	17.44	74.3	10.6	3.0	3.4	91.3
New York, NY	3.15	0.65	17.34	33.3	27.2	34.3	0.8	95.6
Long Valley, NJ	3.10	0.60	17.29	32.9	1.6	12.3	0.5	47.3
Philadelphia, PA	3.05	0.55	17.24	135.2	36.2	0.9	4.1	176.4
Agawam, MA/Baltimore, MD	3.00	0.50	17.19	119.6	52.4	7.8	57.0	236.8
Frederick, MD/New Holland, PA	2.90	0.40	17.09	30.2	12.1	6.9	1.1	50.3
Mt. Holly Springs, PA	2.80	0.30	16.99	124.4	103.7	50.6	135.9	414.7
Albany/Binghamton, NY	2.70	0.20	16.89	84.9	30.4	7.4	3.9	126.7
Middlebury, VT	2.60	0.10	16.79	8.8	4.4	81.6	1.2	96.1
Syracuse, NY	2.50	0.00	16.69	82.9	159.8	57.7	21.3	321.7
St. Albans/Swanton, VT	2.40	(0.10)	16.59	0.3	26.2	12.1	12.3	50.9
Watertown/Rochester, NY	2.30	(0.20)	16.49	16.9	70.1	249.7	53.4	390.1
Buffalo, NY	2.20	(0.30)	16.39	24.8	29.6	54.4	24.0	132.7
Jamestown, NY	2.10	(0.40)	16.29	0.0	0.8	3.7	0.5	5.0
All Other Locations				0.0	0.0	6.2	1.0	7.3
<b>Market Total</b>				<b>768.5</b>	<b>565.2</b>	<b>588.7</b>	<b>320.5</b>	<b>2,242.9</b>

## Negative PPDs (continued from page 2)

12.8 percentage points. This tightening of utilization percent levels makes the Order more susceptible to small and negative PPDs. The PPD at the Boston zone has averaged \$1.36 per cwt in 2017 and has resulted in negative PPDs in at least some differential zones during 4 of the first 10 months of the year (with November projected as the 5th month this will occur this year). The PPD in December currently projects to return to positive in all zones. ❖

## Year-to-Date Class Utilization Changes

For the January through October 2017 period, producer milk pooled by class has surpassed the same month previous year for a majority of the months in all classes. This milk is combined with current plant inventories and bulk and packaged plant transfers and is reflected in the total utilization of milk under the Order. The accompanying table shows changes for the January-October period for 2016-17 in utilization by class and highlights selected product changes.

### Class I

For a majority of 2017, Class I pooled pounds have surpassed the same month of the previous year (7 out of 10 months). Even so, the total Class I volume may still finish below last year's. Class I utilization is currently down 0.3 percent year-to-date. As shown in the table, conventional and organic whole milk is up, while conventional and organic lower fat products (skim and 1 and 2 percent butterfat) are down.

### Class II

Class II pooled pounds have only surpassed the previous year same month volume 5 times during 2017, although February actually was higher than last year on a per day basis. October's volume set a new record high for the month. During the late fall holiday period - November through January - it is increasingly common for processing plants to close for multi day periods due to the holiday calendar and to complete extended maintenance projects. This can result in production fluctuations as plants boost production in one period to carry over product for a planned plant shut down. This appears to be a factor in the larger than normal upturn in Class II production during the month of October ahead of anticipated plant closures during November. Such industry practices make it challenging for milk marketers who have to find a home for the near constant supply of producer milk during such periods.

Year-to-date, Class II utilization is up a slight 0.3 percent. As highlighted in the table yogurt is up

slightly, ice cream is down, and packaged cream and the prepared foods category (includes bakery, candy, soup, and other products) is up.

### Class III

Class III pooled pounds have been higher than the previous year 8 out of 10 months during 2017, with October setting a new record high. As the table shows, milk used in the production of all cheeses in this class has risen. The Swiss and Other Cheese category has risen considerably, mainly due to the addition of a plant that reopened late in 2016. Overall, Class III utilization is up 5.7 percent from last year for the January-October period.

### Class IV

In all but 2 months during 2017, Class IV pooled pounds have surpassed the previous year same month. Even in the months that did not, the volume was the second highest ever pooled for that month. Class IV utilization is up 1.3 percent year-to-date with increases in butter and dried milk products. ❖

**Northeast Order Utilization for Selected Products, January-October, 2017**

	Product	Volume in* million pounds	Percent Change from 2016
<b>Class I</b>	Conventional Whole	2,263.7	2.9
	Conventional Lower Fat	3,077.5	(5.4)
	Organic Whole	148.7	7.4
	Organic Lower Fat	204.6	(1.6)
	<i>Total Class I**</i>	8,154.9	(0.3)
<b>Class II</b>	Ice Cream	1,306.6	(2.2)
	Package Cream	825.2	4.1
	Prepared Foods	576.6	0.6
	Yogurt	2,003.9	0.9
	<i>Total Class II</i>	5,856.2	0.3
<b>Class III</b>	American	2,076.7	1.3
	Cream Cheese	734.7	7.1
	Italian	2,372.9	0.3
	Swiss and Other	709.2	35.6
	<i>Total Class III</i>	6,018.9	5.7
<b>Class IV</b>	Butter	266.7	19.8
	Dried Products	3,652.8	1.2
	<i>Total Class IV</i>	5,122.3	1.3
<b>Total Utilization</b>		25,308.8	1.5

\* Totals include other categories now shown such as bulk shipments to nonorder plants, inventory, and shrinkage. Product totals are derived from reports submitted by pooled handlers.

\*\* Only includes sales by fully regulated pool handlers.

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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	751,730,833	\$9.92	74,571,698.63	
Butterfat	16,747,499	2.8905	48,408,645.86	
Less: Location Adjustment to Handlers			(2,917,165.92)	\$120,063,178.61
Class II— Butterfat	32,498,610	2.6716	86,823,286.50	
Nonfat Solids	49,028,781	0.7600	37,261,873.56	124,085,160.06
Class III— Butterfat	25,227,323	2.6646	67,220,724.88	
Protein	18,330,090	2.1084	38,647,161.75	
Other Solids	33,663,628	0.1853	6,237,870.24	112,105,756.87
Class IV— Butterfat	11,859,509	2.6646	31,600,847.71	
Nonfat Solids	28,463,338	0.6357	18,094,143.98	49,694,991.69
<b>Total Classified Value</b>				<b>\$405,949,087.23</b>
Add: Overage—All Classes				30,897.57
Inventory Reclassification—All Classes				(288,763.87)
Other Source Receipts	388,780 Pounds			8,397.29
<b>Total Pool Value</b>				<b>\$405,699,618.22</b>
Less: Producer Component Valuations @ Class III Component Prices				(401,268,109.74)
<b>Total PPD Value Before Adjustments</b>				<b>\$4,431,508.48</b>
Add: Location Adjustment to Producers				12,557,710.14
One-half Unobligated Balance—Producer Settlement Fund				900,230.67
Less: Producer Settlement Fund—Reserve				(1,064,767.28)
<b>Total Pool Milk &amp; PPD Value</b>	2,243,290,938 Producer pounds			<b>\$16,824,682.01</b>
Producer Price Differential		<b>\$0.75</b>		
Statistical Uniform Price		<b>\$17.44</b>		

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

# The Market Administrator's

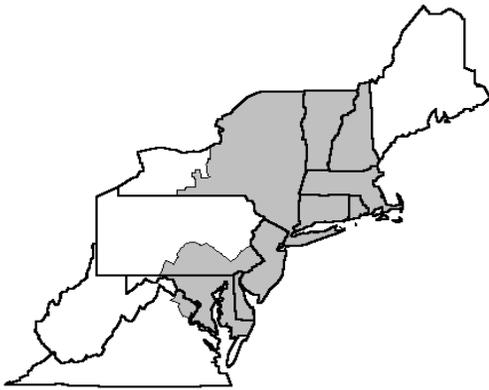
# BULLETIN

## NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

November 2017

Federal Order No. 1



To contact the Northeast Marketing Area offices:  
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;  
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### November Pool Price Calculation

The November 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.14 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 \$18.71 per hundredweight. The November statistical uniform price was 30 cents per hundredweight below the October price. The November producer price differential (PPD) at Suffolk County was \$0.26 per hundredweight, a decrease of 49 cents per hundredweight from last month.

#### Product Prices Effect

All commodity product prices declined from the previous month except cheese, which rose about 4 cents per pound. Butter declined 9 cents, nonfat dry milk fell 5 cents, and dry whey decreased 2 cents, all on a per pound basis. These changes resulted in a 23-cent increase in the protein price and decreases of 11 cents in butterfat, 5 cents in the nonfat solids price, and 2 cents in the other solids price.

The Class III price rose 19 cents per hundredweight. All other class prices decreased. Class I declined 3 cents, Class II fell 63 cents, and Class IV dropped 86 cents, all on a hundredweight basis. The resulting SUP declined slightly from last month. The PPD decreased as the Class III price rose, tightening the difference between the Class III price and the Class I and II prices. Producers shipping to plants in the \$2.90 zone and further out received negative PPDs. With a higher December Class I price based off of the higher prices in November, it is expected that the PPD will return to a positive level in December for most, if not all, zones.

#### Highlights

The total volume of producer milk receipts set a new record high for the month, as did the Class IV volume. November's Class I volume was above the previous year's.

The average producer component butterfat test set a new record high for the month of November. ❖

### Pool Summary

- A total of 11,036 producers were pooled under the Order with an average daily delivery per producer of 6,587 pounds.
- Pooled milk receipts totaled 2.181 billion pounds, an increase of 0.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 35.1 percent of total milk receipts, up 0.8 percentage points from October.
- The average butterfat test of producer receipts was 3.95 percent.
- The average true protein test of producer receipts was 3.17 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	35.1	766,319,055
Class II	21.7	472,825,281
Class III	26.2	570,524,470
Class IV	17.0	371,074,397
Total Pooled Milk		2,180,743,203

#### Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	2.3412	2.8085
Butterfat Price	2.5546	2.1044
Other Solids Price	0.1644	0.1750

#### Class Price Factors

	2017	2016
	\$/cwt	
Class I	19.66	18.03
Class II	15.32	14.60
Class III	16.88	16.76
Class IV	13.99	13.76

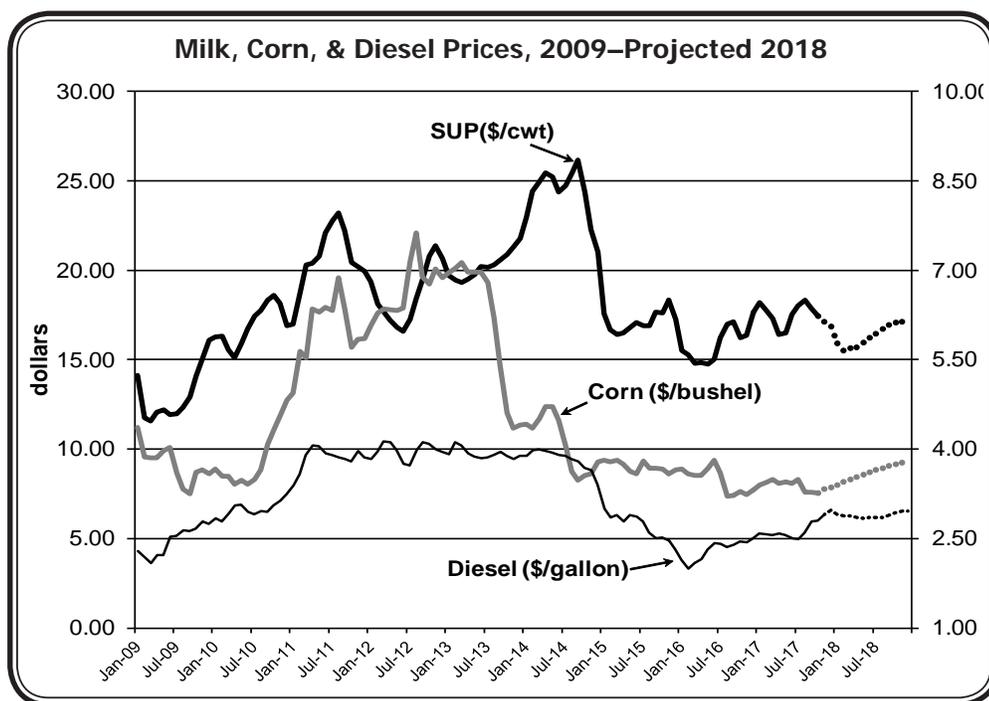
## 2018 Outlook

Based on current projections, the statistical uniform price (SUP) at Boston, MA, will finish the year averaging \$17.45 per hundredweight (cwt) for 2017. This is a 9.8 percent increase from 2016, or a \$1.55 per cwt increase. At the same time, the annual average corn price projects to finish 2017 dropping by 2.7 percent from its 2016 level if Chicago Mercantile Exchange (CME) corn futures play out as they settled on December 13. Looking back, the average annual corn price for 2017 was lower than any year at least as far back as 2009. Despite regional challenges in marketing strong milk production, according to a report on Northeast Dairy Farms by Farm Credit East, profitability increased marginally in 2016 due in large part to declining costs (such as feed, labor, and fuel). The accompanying chart presents where the statistical uniform price and feed and fuel costs have been and where they may be headed. We'll take a look at supply and demand factors as we head toward the new year, look at how milk prices and selected input prices have moved with respect to each other, and present a futures market-based forecast for the milk price in 2018.

### Supply Factors

In the December World Agricultural Supply and Demand Estimates Report, USDA forecast record high milk production for 2017 totaling 215.7 billion pounds. This would be an increase of 1.6 percent over 2016 U.S. milk production. Based on the same report, USDA expects 2018 U.S. milk production to increase another 1.7 percent over 2017 to total 219.3 billion pounds.

Northeast Order pool volume set record high levels 10 of 11 months through November and will likely set a record for the entire year as well. Through the first 11 months, pool volume is up 1.6 percent over the same period last year. Though pooled volume does not equate to total milk production, it is indicative of how strong milk production has been. Year-over-year milk production growth in the top 23 milk producing states, as reported by the National Agricultural Statistics Service *Milk Production* report, grew an average of 2.0 percent per month for the first ten months of the year. Closer to home, milk production in New York grew an average of 1.9 percent per month during the same period. This was characterized by averaging 3.7 percent over the first 5 months and just 0.1 percent from June through October. Vermont grew by an average of



0.7 percent per month, while Pennsylvania also trailed the top 23 state average at 1.7 percent per month.

Stocks of dairy products in the U.S. have been building. October stocks of butter were 3.7 percent lower than a year ago and 24.6 percent higher than the 5-year average for the month. October total cheese stocks were 3.7 percent higher than a year ago and 17.8 percent higher than the 5-year average. Nonfat dry milk stocks were 46.5 percent above a year ago, and 101.8 percent above the 5-year average for the month. October dry whey stocks were 53.8 percent higher than a year ago and 70.4 percent above the 5-year average.

### Demand Factors

The U.S. exported 14.3 percent of its milk production, on a total milk solids basis, for the period January through October 2017. This compares with 14.1 percent for the same period a year earlier. October exports accounted for 15.2 percent of U.S. production, down from 17.5 percent the previous October. Still, this equates to roughly one day's milk production per week finding a home other than in the U.S. and highlighting the importance of exports.

Export market analysts stated due to lukewarm powder exports, U.S. inventories of nonfat dry milk continue to build counter-seasonally, as evidenced by stocks data reported above. The global oversupply of skim milk powder has pushed prices near their lowest level in 14 years. Cheese exports are above year ago levels led by increased exports to China (up 82 percent) and Central America (up 42 percent).

U.S. exports are influenced by currency exchange  
(continued on page 3)

## Outlook (continued from page 2)

rates that impact the relative value of U.S. dairy products. Contrary to expectations headed into 2017, the dollar decreased in value throughout most of the year, reaching a low in September. Analysts tie some of the contrary result to strengthening of the Euro that resulted from political victories that supported the European Union. This movement would have made U.S. product relatively cheaper on international markets and supported exports this past year. Current expectations seem to indicate the U.S. dollar will strengthen in 2018, largely based on assumptions that the United States passes a new tax plan and a possible infrastructure program being executed during the next year. Too strong a dollar may have adverse impacts on further export recovery.

### Domestic Situation

The U.S. domestic market will continue to be counted on as a home to the large majority of milk produced here. We'll briefly look at some domestic demand indicators. The unemployment rate has continued to decline steadily since its high near 10 percent in 2009; it averaged 4.9 percent in 2016 and reached 4.1 percent in November 2017. Per capita disposable personal income fell 0.3 percent in the third quarter of 2017. In October, the Restaurant Performance Index (RPI), which tracks the health and outlook of the U.S. restaurant industry, stood at 100.9. This was driven by an improving outlook by restaurant operators, as 4 in 10 operators expect their sales to be higher in 6 months. However, the current situation index fell to a 6-month low of 99.5. This was the fourth consecutive month below the 100 level. Values above 100 signify expansion in the industry, and below that level signify contraction. Restaurant sales are an important outlet for dairy products and so the index is used as an indicator of domestic dairy sales.

The Consumer Confidence Index reached 129.5 in November, indicating strong demand. Consumers improved their outlook of current and near term business conditions. A larger proportion of consumers expect there to be more jobs in the months ahead. However, the percentage of consumers expecting improvement in short-term income prospects declined marginally. There is reason to be optimistic that the domestic market will continue to buoy demand for dairy products, though recent data on disposable income and income expectations are something to watch for moving into 2018. Also posing a challenge may be the current restaurant performance situation failing to meet current operator optimism for 2018.

### Looking to 2018

The USDA forecasts the U.S. all-milk price for 2018 to range between \$16.90 and \$17.80 per cwt – very similar

to their forecasted price range made at this time of year for 2017. Using CME futures prices from December 13 for Class III and Class IV milk, the Northeast Order SUP projects to finish 2017 averaging \$17.45 per cwt for the year, about \$1.25 below what was expected when predictions were made last year. Again, using the December 13 CME futures prices, **the 2018 Northeast SUP is forecast to average \$16.36 per cwt for the year, 6.3 percent and \$1.09 below the 2017 price level.** Supply and demand conditions are mixed heading into 2018. Continued robust milk production nationally, coupled with higher level stocks, may hinder price recovery. ❖

## 2018 Payment Dates to Producers

The calendar below shows the dates for partial payments to producers that are not members of cooperatives. Partial payments are paid to producers for the milk received by pool handlers during the first 15 days of the month and are paid at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. As required by the Order, payment must be made so that a producer receives it no later than the date shown. The table dates vary due to weekends and national holidays.

The final payment date that non-member producers must be paid is dependent on the date that the statistical uniform price is announced. Each month, the date that final payments to producers must be received by is printed on the back of the Pool Price Announcement. The final payment is for the remaining milk received and is priced such that the producer should receive an average price for the entire month's milk at roughly the uniform price with adjustments for zone differential, component values, and other deductions relevant to that producer.

Producers that are members of cooperatives usually receive payments at the same time, although it is not required by the Order. ❖

### Required Producer Payments Under the Northeast Order

Month Milk Produced	Partial Payment Due	
	Day	Date
January	Friday	1/26/18
February	Monday	2/26/18
March	Monday	3/26/18
April	Thursday	4/26/18
May	Tuesday	5/29/18
June	Tuesday	6/26/18
July	Thursday	7/26/18
August	Monday	8/27/18
September	Wednesday	9/26/18
October	Friday	10/26/18
November	Monday	11/26/18
December	Wednesday	12/26/18

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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	749,113,457	\$10.53	78,881,647.02	
Butterfat	17,205,598	2.7129	46,677,066.81	
Less: Location Adjustment to Handlers			(2,937,804.20)	\$122,620,909.62
Class II— Butterfat	31,090,459	2.5616	79,641,319.78	
Nonfat Solids	40,955,970	0.7311	29,942,909.68	109,584,229.46
Class III— Butterfat	25,305,417	2.5546	64,645,218.28	
Protein	18,055,087	2.3412	42,270,569.70	
Other Solids	32,598,024	0.1644	5,359,115.15	112,274,903.13
Class IV— Butterfat	12,522,346	2.5546	31,989,585.09	
Nonfat Solids	33,275,442	0.5816	19,352,997.05	51,342,582.14
<b>Total Classified Value</b>				<b>\$395,822,624.35</b>
Add: Overage—All Classes				15,926.44
Inventory Reclassification—All Classes				31,168.10
Other Source Receipts	1,891,730 Pounds			35,865.02
<b>Total Pool Value</b>				<b>\$395,905,583.91</b>
Less: Producer Component Valuations @ Class III Component Prices				(402,421,376.66)
<b>Total PPD Value Before Adjustments</b>				<b>(\$6,515,792.75)</b>
Add: Location Adjustment to Producers				12,111,487.79
One-half Unobligated Balance—Producer Settlement Fund				970,498.86
Less: Producer Settlement Fund—Reserve				(891,343.14)
<b>Total Pool Milk &amp; PPD Value</b>	2,182,634,933 Producer pounds			<b>\$5,674,850.76</b>
Producer Price Differential		<b>\$0.26</b>		
Statistical Uniform Price		<b>\$17.14</b>		

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

# The Market Administrator's

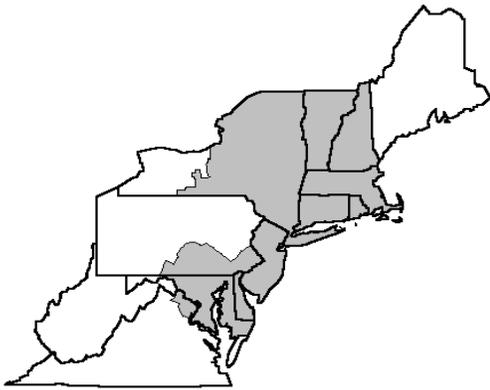
# BULLETIN

## NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

December 2017

Federal Order No. 1



To contact the Northeast Marketing Area offices:  
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;  
 e-mail address: [Northeast Order@fedmilk1.com](mailto:Northeast Order@fedmilk1.com)  
 website address: [www.fmmone.com](http://www.fmmone.com)

### December Pool Price Calculation

The December 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.71 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 \$18.25 per hundredweight. The December statistical uniform price was 43 cents per hundredweight below the November price. The December producer price differential (PPD) at Suffolk County was \$1.27 per hundredweight, an increase of \$1.01 per hundredweight from last month.

### Product Prices Effect

All commodity product prices declined from the previous month. Butter declined 5 cents, nonfat dry milk fell 3 cents, cheese dropped 11 cents, and dry whey decreased almost 6 cents, all on a per pound basis. These changes resulted in a 30-cent decrease in the protein price, a 3-cent decline in the nonfat solids price, and decreases of 6 cents in butterfat and other solids.

The Class I price in December was 47 cents higher than in November since it was based off of slightly higher prices that occurred in the middle of November. All other class prices decreased. Class II declined 83 cents, Class III fell \$1.44, and Class IV dropped 48 cents, all on a hundredweight basis. The result was a lower SUP than in November. The PPD increased as the spread between the Class III price and the Class I price rose. All producers should receive a positive PPD.

### Selected Statistics

The only two new pool statistic records set for the month of December were the average daily delivery per producer (DDP) and the average producer component butterfat test. The total volume of producer milk receipts, along with the volumes used in classes II and IV, reported second place rankings. See page 2 for a summary of statistical highlights for the entire year of 2017. ❖

### Pool Summary

- A total of 11,148 producers were pooled under the Order with an average daily delivery per producer of 6,540 pounds.
- Pooled milk receipts totaled 2.26 billion pounds, an increase of 0.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 34.4 percent of total milk receipts, down 0.7 percentage points from November.
- The average butterfat test of producer receipts was 3.97 percent.
- The average true protein test of producer receipts was 3.17 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	34.4	777,912,453
Class II	22.0	496,783,198
Class III	25.6	579,076,010
Class IV	18.0	406,447,241
Total Pooled Milk		2,260,218,902

#### Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	2.0378	2.6922
Butterfat Price	2.4951	2.3354
Other Solids Price	0.1070	0.2063

#### Class Price Factors

	2017	2016
	\$/cwt	
Class I	20.13	20.13
Class II	14.49	15.26
Class III	15.44	17.40
Class IV	13.51	14.97

## 2017 Northeast Order Statistics Summarized

The volume of milk received from producers shipping to handlers regulated under the Northeast Order continued to grow during 2017 and set a new record high for the Order with 27.4 billion pounds, an increase of 1.7 percent from 2016. Total volume has been on an upward trajectory for the past eight years in a row.

The year ended with 158 fewer producers than at the end of 2016. This was less than the previous 5-year average decline of 309 producers per year. Annual average daily deliveries per producer (DDP) equaled 6,722 pounds, an increase of 4.4 percent from 2016 and a new record high. Even with a continued strong supply of milk and demand struggling to keep pace, prices improved from the previous year, averaging 9.7 percent higher than in 2016.

The accompanying table compares selected pool statistics for 2016 and 2017; all changes have been adjusted for leap year in 2016.

### Class Utilization Changes

Class I utilization averaged 32.1 percent in 2017, a decrease of 0.6 percentage points from the previous year. Although the total volume of milk used in Class I continued to drop, its rate of decline appears to have leveled off. The volume in 2017 was only 29.5 million pounds less than in 2016, a decrease of only 0.1 percent. During 8 months of 2017, Class I volume surpassed the same month of the previous year. The total volume of producer receipts used in Class II declined slightly from 2016 (8.7 million pounds), but when adjusted for leap year was actually a slight increase of 0.1 percent (on a daily average basis). Overall, Class II utilization was 23.9 percent of total producer milk receipts, a decline of 0.4 percentage points as more milk went to classes III and IV.

Class III volume rose 4.1 percent and ended the year with the third largest total since the Order's inception; the only two years higher being 2001 and 2002. Utilization averaged 26.0 percent, up 0.6 percentage points from 2016. The amount of milk used in Class IV grew 3.8 percent and set a new record high for the Order. It accounted for an annual average of 18.0 percent utilization.

### Prices Higher Than 2016

As previously mentioned, milk supplies again were plentiful during 2017. Butterfat demand was strong and reflected in record-high butter prices during the year. The National Dairy Products Sales Report (NDPSR) reported record-setting butter prices every month during 2017 except April and December. The year finished with a \$2.3303 per

### Northeast Order Pool Statistics, 2016–2017

Pool Statistics	2016	2017	2016-17 Change percent
	million pounds		
Class I	8,828.0	8,798.5	(0.1)
Class II	6,552.1	6,543.4	0.1
Class III	6,873.7	7,132.7	4.1
Class IV	4,753.4	4,921.9	3.8
Total	27,007.2	27,396.5	1.7
	pounds		
DDP	6,440	6,722	4.4
	utilization percentage		change
Class I	32.7	32.1	(0.6)
Class II	24.3	23.9	(0.4)
Class III	25.4	26.0	0.6
Class IV	17.6	18.0	0.4
	dollars/cwt		percent
Class I	18.05	19.70	9.1
Class II	14.35	16.04	11.8
Class III	14.87	16.17	8.7
Class IV	13.77	15.16	10.1
SUP	15.90	17.44	9.7
Producer Component:			
Tests:	percent		change
Butterfat	3.81	3.86	0.05
Protein	3.09	3.10	0.01
Other Solids	5.75	5.75	0.00
Prices:	dollars/lb		percent
Butterfat	2.3084	2.6143	13.3
Protein	2.0955	1.8682	(10.8)
Other Solids	0.0910	0.2519	176.8
Nonfat Solids	0.6548	0.6918	5.6

pound average butter price, 12.2 percent higher than in 2016.

Cheese prices were slightly above last year and close to the average in 2015. NDPSR prices averaged \$1.6344 per pound for 2017, up 1.8 percent from 2016. Nonfat dry milk prices started the year strong but fell considerably by year end. They averaged \$0.8666 per pound in 2017, 4.5 percent higher than the previous year. Dry whey prices followed a similar pattern as nonfat dry milk, higher early in the year and weaker near the end, averaging the year at \$0.4437 per pound, an increase of 54.3 percent from 2016.

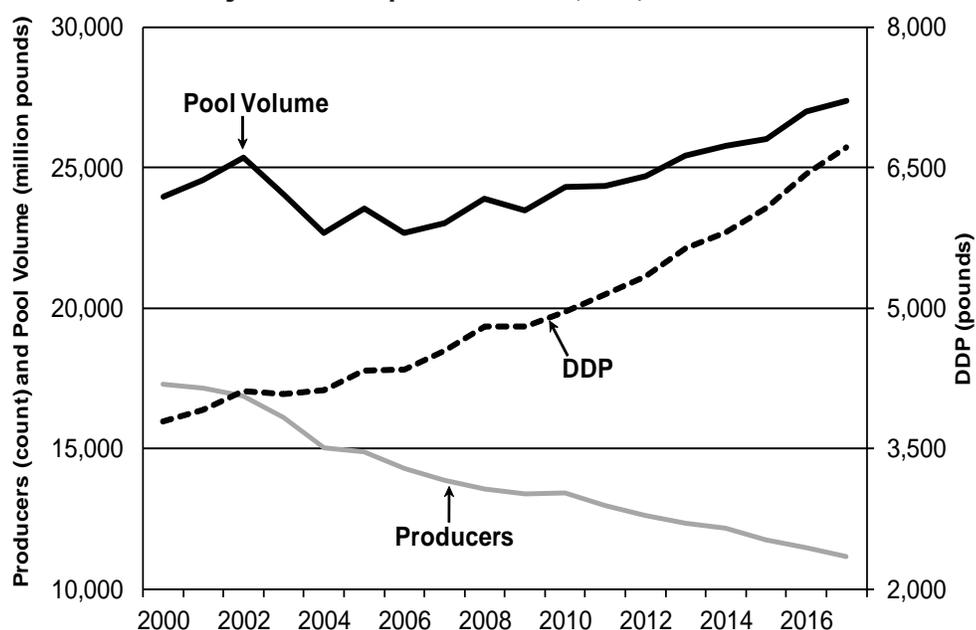
All component prices averaged above the previous year except protein, which was largely affected by the higher butterfat price that is part of the protein price formula. The price paid *(continued on page 3)*

## 2017 Northeast Order *(continued from page 2)*

to producers for butterfat averaged \$2.6143 per pound, up 13.3 percent from 2016 and the highest reported since the Order's inception in 2000. The per-pound annual average protein price was \$1.8682 per pound, the second lowest in the Order's history, and a decline of 10.8 percent from 2016. The other solids price averaged \$0.2519 per pound, a jump of 177 percent from the previous year. The nonfat solids price averaged \$0.6918 per pound, 5.6 percent above the 2016 price.

For the most part, the higher component prices translated into higher class prices, which were about 9-12 percent above last year's. The Class I price averaged \$19.70 per hundredweight in 2017, up 9.1 percent from the 2016 annual average. The Class II price averaged \$16.04 per hundredweight, an increase of 11.8 percent from the previous year. The Class III price averaged \$16.17, up 8.7 percent from 2016. The Class IV price rose to \$15.16, a jump of 10.1 percent. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged \$17.44 per hundredweight, 9.7 percent above the 2016 average.

**Northeast Order Pool Volume, Number of Producers, and Daily Deliveries per Producer (DDP), 2000–2017**



### Producer Tests

The annual average producer butterfat test equaled 3.86 percent in 2017, up 0.05 points from the previous year, setting a new Order record high. Records were set during 11 months and tied in one. The annual average producer protein test was 3.10 percent, up 0.01 point from 2016 and also a new record for the Order. The producer other solids test remained at the record-high average of 5.75 percent, unchanged from the past 2 previous years. ❖

## Pool Summary for All Federal Orders, January–December, 2016–2017

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2016	2017	Change <sup>^</sup>	2016	2017	2016	2017
		pounds			percent		dollars per hundredweight	
<b>1</b>	<b>Northeast</b>	<b>27,007,191,866</b>	<b>27,396,555,819</b>	<b>1.7</b>	<b>1.03</b>	<b>1.26</b>	<b>15.90</b>	<b>17.44</b>
5	Appalachian	5,595,157,423	5,801,007,337	4.0	N/A	N/A	17.09	18.79
6	Florida	2,714,073,908	2,602,265,099	(3.8)	N/A	N/A	19.23	20.91
7	Southeast	5,389,646,521	5,451,402,443	1.4	N/A	N/A	17.55	19.15
30	Upper Midwest	32,817,621,049	32,311,866,428	(1.3)	0.05	0.13	14.91	16.30
32	Central	15,088,319,343	15,879,252,633	5.5	0.05	0.17	14.92	16.34
33	Midwest	19,655,419,521	20,241,147,953	3.3	0.17	0.39	15.03	16.57
124	Pacific Northwest	7,882,929,743	7,660,879,854	(2.5)	(0.19)	(0.02)	14.67	16.16
126	Southwest	12,717,094,999	13,092,462,779	3.2	0.88	0.97	15.75	17.14
131	Arizona	4,979,072,172	5,064,797,810	2.0	N/A	N/A	14.99	16.40
All Market Total/Average		133,846,526,545	135,501,638,155	1.5	0.33	0.48	16.00	17.52

# Price at designated order location.

\* Price at 3.5% butterfat.

N/A = Not applicable.

<sup>^</sup> Adjusted for leap year in 2016.

RETURN SERVICE REQUESTED

**FIRST CLASS MAIL**

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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	760,537,560	\$11.55	87,842,088.18	
Butterfat	17,374,893	2.5660	44,583,975.44	
Less: Location Adjustment to Handlers			(2,904,406.51)	\$129,521,657.11
Class II— Butterfat	29,977,161	2.5021	75,005,854.52	
Nonfat Solids	43,304,376	0.6600	28,580,888.16	103,586,742.68
Class III— Butterfat	26,730,277	2.4951	66,694,714.13	
Protein	18,320,589	2.0378	37,333,696.28	
Other Solids	32,997,717	0.1070	3,530,755.72	107,559,166.13
Class IV— Butterfat	15,643,961	2.4951	39,033,247.10	
Nonfat Solids	36,291,641	0.5503	19,971,290.04	59,004,537.14
<b>Total Classified Value</b>				<b>\$399,672,103.06</b>
Add: Overage—All Classes				207,280.04
Inventory Reclassification—All Classes				59,124.87
Other Source Receipts	736,185 Pounds			31,345.96
<b>Total Pool Value</b>				<b>\$399,969,853.93</b>
Less: Producer Component Valuations @ Class III Component Prices				(383,864,563.74)
<b>Total PPD Value Before Adjustments</b>				<b>\$16,105,290.19</b>
Add: Location Adjustment to Producers				12,637,032.44
One-half Unobligated Balance—Producer Settlement Fund				888,713.39
Less: Producer Settlement Fund—Reserve				(916,906.37)
<b>Total Pool Milk &amp; PPD Value</b>	2,260,955,087 Producer pounds			<b>\$28,714,129.65</b>
Producer Price Differential		<b>\$1.27</b>		
Statistical Uniform Price		<b>\$16.71</b>		

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