

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

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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
 website address: www.fmmone.com

February Pool Price Calculation

The February 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$14.88 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 \$16.04 per hundredweight. The February statistical uniform price was 82 cents per hundredweight below the January price. The February producer price differential (PPD) at Suffolk County was \$1.48 per hundredweight, a decrease of 22 cents per hundredweight from last month.

Product Prices Effect

All commodity product prices declined from the previous month except nonfat dry milk that rose 1 cent per pound. The butter price fell 9 cents; cheese dropped 4 cents; and dry whey declined 2 cents, all on a per pound basis. These changes resulted in a 10-cent decline in the butterfat price, a 3-cent decrease in the protein price, 2-cent drop in the other solids price, and a 1-cent increase in the nonfat solids price.

All class prices declined from January. Class I fell \$1.19 per hundredweight, Class II dropped 67 cents, Class III decreased 60 cents, and Class IV was down 26 cents, all on a per hundredweight basis. The result was a lower SUP than the previous month. The PPD decreased as the spread between the lower classes and the Class I price tightened.

Selected Statistics

Producer milk receipts for February 2018 were the largest per day volume since June 2017. Total pooled milk volume was the third highest level for the month of February on record, although below the previous 2 years. The total number of producers pooled fell below 11,000 for the second time ever under the Order. Average daily deliveries per producer (DDP) set a new record for the month of February and topped 7,000 pounds for the third time ever since the Order's inception. Class II and IV utilizations were the second highest ever for the month of February. ❖

Pool Summary

- A total of 10,775 producers were pooled under the Order with an average daily delivery per producer of 7,019 pounds.
- Pooled milk receipts totaled 2.118 billion pounds, an increase of 2.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 31.7 percent of total milk receipts, down 1.7 percentage point from January.
- The average butterfat test of producer receipts was 3.91 percent.
- The average true protein test of producer receipts was 3.12 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.7	671,598,382
Class II	24.9	526,819,972
Class III	26.0	549,973,536
Class IV	17.4	369,230,499
Total Pooled Milk		2,117,622,389

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.6265	2.2348
Butterfat Price	2.3490	2.4274
Other Solids Price	0.0550	0.2990

Class Price Factors

	2018	2017
	\$/cwt	
Class I	17.50	19.98
Class II	13.44	16.52
Class III	13.40	16.88
Class IV	12.87	15.59

U.S. Milk Production Increase Tops Last Year

The total milk production in the United States grew 1.7 percent in 2017, an even higher rate than in 2016 (1.6 percent). The rate of growth in 2015 was 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 slightly less than the national average; the combined total for the top 23 milk-producing states reported by the National Agricultural Statistics Service (NASS) was slightly higher. The accompanying table shows the top ten states ranked by their total 2017 production and comparisons to the top 23 states total and the U.S. total for production, cows, and milk production per cow (MPC).

Rank	State	2016 (million pounds)	2017 (million pounds)	Percent Change#	2017	
					Cows (1,000 head)	MPC*# (pounds)
1	California	40,469	39,798	(1.4)	1,749	22,755
2	Wisconsin	30,110	30,320	1.0	1,278	23,725
3	New York	14,777	14,912	1.2	623	23,936
4	Idaho	14,665	14,627	0.0	600	24,378
5	Texas	10,773	12,054	12.2	511	23,589
6	Michigan	10,876	11,231	3.5	427	26,302
7	Pennsylvania	10,820	10,938	1.4	525	20,834
8	Minnesota	9,666	9,864	2.3	458	21,537
9	New Mexico	7,711	8,212	6.8	329	24,960
10	Washington	6,650	6,526	(1.6)	274	23,818
	Top Ten Total	156,517	158,482	1.5	6,774	23,460
	Top 23 Total	199,434	202,455	1.8	8,726	23,265
	U.S. Total	212,405	215,466	1.7	9,392	22,941

Source: NASS, *Milk Production*. * Milk Produced per Cow.
Adjusted for leap year.

Changes in Top Producing States

The top ten list contained the same states as in 2016 although the order has changed. California and Wisconsin remained numbers one and two. New York held its number 3 spot ahead of Idaho and widened the gap by 173 million pounds. Other changes in rank included Texas, which reported the largest increase of the top-ten states, jumping from number 7 in 2016 to number 5 in 2017 and Michigan and Pennsylvania each dropping down a level. As reported in 2016, number one-ranked California showed a decline in production; the only other top-ten state that decreased was Washington. The rest of the top ten had increases with Texas, New Mexico, and Michigan all reporting over 3 percent growth.

Northeast Below National Average

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling into the marketing area) increased 1.0 percent in 2017, below the U.S., top ten, and top 23 state averages. The states with the strongest growth were Connecticut (3.0 percent) and Pennsylvania (1.4 percent). After reporting an increase of 4.5 percent in 2016, production in New York tapered to a conservative 1.2 percent. New York began 2017 strong, averaging about 4 percent growth through April, then flattened during the summer months and declined from fall through the end of the year. Other Northeast state increases were Virginia with 1.0 percent and Maine and Vermont with a slight 0.3 percent each.

Cow Numbers and Production per Cow

Nationally, the number of milk cows increased 0.7 percent in 2017; in 2016, they rose a slight 0.2 percent. Twenty 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 0.5 percent. The combined total for New York, Pennsylvania, and Vermont was down a slight 0.2 percent from 2016; Pennsylvania and Vermont both dropped 0.8 percent; New York increased 0.5 percent.

Average MPC grew 0.7 percent nationally, less than the 1.4 percent increase in 2016. For the Northeast, the increase was 1.5 percent. The U.S. average milk per cow was 22,941 pounds in 2017; the average was 22,077 pounds in the Northeast states. New York's MPC (23,936 pounds) was above the national average. Only fourteen states had MPC greater than the national average; seven of them are in the top ten. ❖

Dairy Product Stocks and Prices

After peaking in August 2017 at \$18.33 per hundredweight (cwt), the Statistical Uniform Price (SUP) has declined consistently each month to February's \$14.88 per cwt. Though the first two months of 2018 averaged \$2.70 per cwt below the first two months of last year, and \$0.12 below the same two months of 2016, the SUP is expected to increase through the year, beginning in March. Using Chicago Mercantile Exchange Class III and Class IV milk futures prices as settled on March 14, the SUP for the year projects to average \$16.02 per cwt. This is \$1.41 below last year, but \$1.67 above 2016.

Federal Order minimum pricing of milk uses the prices of dairy products in calculating minimum class prices. The market prices for these products, as surveyed by the (continued on page 3)

Dairy Product Stocks (continued from page 2)

Agricultural Marketing Service, are important to monitor when understanding milk prices. Following is a brief look at recent trends in stocks and prices of dairy products.

Milk Volume

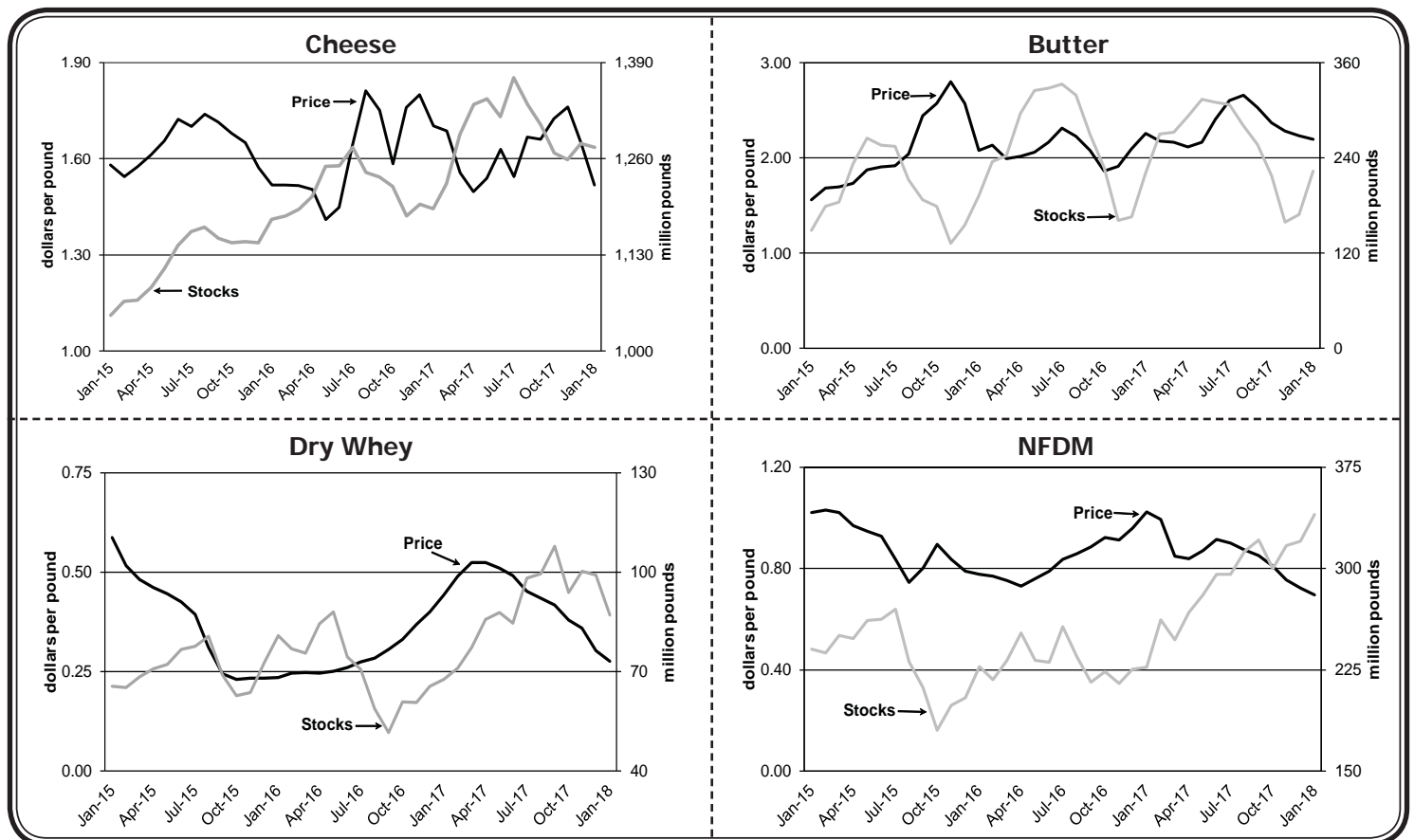
Much has been discussed regarding the volume of milk being produced and pooled on the Northeast Order as well as produced in the country as a whole. When milk volumes are very strong and potentially exceed current demand, stocks of dairy products can build. This may send a signal that prices must move lower or remain low. For ten months in a row, from December 2016 through September 2017, record high volumes of milk were pooled on the Northeast Order. In spite of these strong milk volumes, the 2017 prices were almost 10 percent higher than in 2016. Since September, total pool volume has been below the previous year four out of five months. This may be a signal that some relenting in year-over-year milk production growth can be expected into 2018, at least in the Northeast.

Product Prices and Stocks

The accompanying charts present stocks and prices since January 2015 of the four products used in Federal Order Class pricing formulas. The prices are the monthly average prices from the Agricultural Marketing Service's National Dairy Product Sales Report. Stocks data for butter

and total cheese are from the USDA, National Agricultural Statistics Service (NASS), Cold Storage Report. Stocks data for nonfat dry milk (NDFM) and dry whey are from the USDA, NASS, Dairy Products Report.

The resurgence of overall demand for butter continues to be felt as evidenced by the current butter price holding above \$2.10 per pound, and having been above \$2.00 per pound for 29 for the last 31 months. Butter stocks (224 million pounds in January 2018) show a cyclical trend with a low to high range of about 150 million pounds. There does not appear to be a trend up or down across the period. Nonfat dry milk stocks appear to be climbing fairly steadily since October 2015, reaching 340 million pounds by January 2018. Nonfat dry milk prices remained at low levels through much of the period presented, and decline steadily from \$0.9137 per pound in June 2017, to a record low of \$0.6966 per pound in December 2017. The cheese price fluctuated in a range about \$0.20 above and below \$1.60 per pound since January 2015, but overall, resulted in a flat trend line during this period. During that same period, total cheese stocks trended up, and at 1.275 billion pounds in January 2018, are about 20 percent higher than in January 2015. The dry whey price began to increase mid 2016 around the time when dry whey stocks hit a low of about 52 million pounds. Dry whey prices have declined steadily since April 2017 as stocks have remained about 90 to 100 million pounds. ❖



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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	657,525,819	\$8.96	58,914,313.38	
Butterfat	14,072,563	2.5301	35,604,991.65	
Less: Location Adjustment to Handlers			(2,548,845.02)	\$91,970,460.04
Class II— Butterfat	28,830,021	2.3560	67,923,529.47	
Nonfat Solids	45,958,598	0.5978	27,474,049.89	95,397,579.36
Class III— Butterfat	26,049,585	2.3490	61,190,475.20	
Protein	17,090,443	1.6265	27,797,605.54	
Other Solids	31,352,829	0.0550	1,724,405.73	90,712,486.47
Class IV— Butterfat	13,806,130	2.3490	32,430,599.42	
Nonfat Solids	32,821,111	0.5352	17,565,858.66	49,996,458.08
Total Classified Value				\$328,076,983.95
Add: Overage—All Classes				58,841.22
Inventory Reclassification—All Classes				(29,420.42)
Other Source Receipts	1,505,448 Pounds			44,532.30
Total Pool Value				\$328,150,937.05
Less: Producer Component Valuations @ Class III Component Prices				(308,396,595.86)
Total PPD Value Before Adjustments				\$19,754,341.19
Add: Location Adjustment to Producers				11,911,651.19
One-half Unobligated Balance—Producer Settlement Fund				736,617.27
Less: Producer Settlement Fund—Reserve				(1,039,517.60)
Total Pool Milk & PPD Value	2,119,127,837 Producer pounds			\$31,363,092.05
Producer Price Differential		\$1.48		
Statistical Uniform Price		\$14.88		

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