

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Shawn M. Boockoff, Acting Market Administrator

April 2018

Federal Order No. 1

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April Pool Price Calculation

The April 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.46 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 \$16.64 per hundredweight. The April statistical uniform price was 40 cents per hundredweight above the March price. The April producer price differential (PPD) at Suffolk County was \$0.99 per hundredweight, an increase of 15 cents per hundredweight from last month.

Product Prices Effect

All commodity product prices increased from the previous month. The butter price rose 7 cents; cheese and nonfat dry milk each increased about 2 cents; and dry whey was up about 1 cent, all on a per pound basis. These changes resulted in an 8-cent jump in the butterfat price, a 3-cent decrease in the protein price, 2-cent increase in the nonfat solids price, and a 1-cent increase in the other solids price.

All class prices rose from March. Class I increase the most with 74 cents per hundredweight. The other classes had more modest increases: Class II was up 15 cents, Class III increased 25 cents, and Class IV rose 44 cents, all on a per hundredweight basis. The result was a higher SUP than the previous month. The PPD increased as well as the spread between the lower classes and the Class I price grew.

Selected Statistics

April reported the fifth month in a row that producer milk receipts were below the same month previous year. Class I utilization was higher than the previous year for April; all other classes were below April 2017.

The average producer butterfat test set a new record for the month of April. The average producer protein and other solids tests tied with previous year's records set for the month. ❖

Pool Summary

- A total of 10,563 producers were pooled under the Order with an average daily delivery per producer of 7,242 pounds.
- Pooled milk receipts totaled 2.294.8 billion pounds, no change from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.8 percent of total milk receipts, down 1.6 percentage point from March.
- The average butterfat test of producer receipts was 3.90 percent.
- The average true protein test of producer receipts was 3.09 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	30.8	706,563,666
Class II	23.6	541,958,215
Class III	25.4	583,236,372
Class IV	20.2	463,051,662
Total Pooled Milk		2,294,809,915

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.7810	1.6955
Butterfat Price	2.5113	2.3548
Other Solids Price	0.0619	0.3350

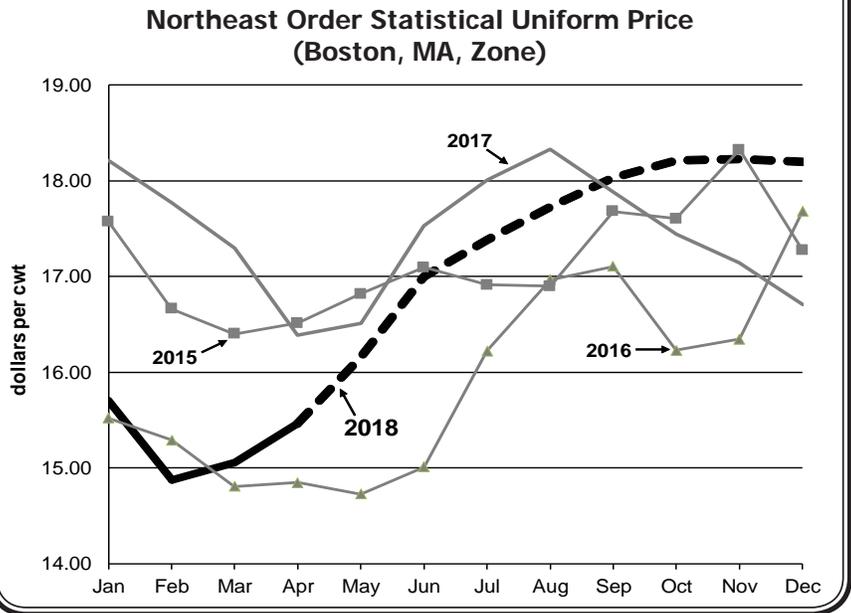
Class Price Factors

	2018	2017
	\$/cwt	
Class I	17.35	19.30
Class II	14.03	14.81
Class III	14.47	15.22
Class IV	13.48	14.01

Price Outlook

Price strengthening is occurring and is expected to continue throughout the year, while Northeast pool volumes show signs of slowing and contracting. Indications are that the lowest price for the year is in the past. The Statistical Uniform Price (SUP) for the first four months of 2018 has averaged \$15.28 per hundredweight (cwt) at the Boston, MA, base zone for the Northeast Order. Using Chicago Mercantile Exchange (CME) futures prices as of May 15, 2018, the SUP projects to average \$16.84 per cwt for this year. This would be 3.4 percent below 2017. Notably, the same CME futures predict an SUP that would be the highest SUP level of the past four years for the September through December portion of the year, averaging \$18.17 per cwt for that period. Since the middle of March, the projected annual average SUP for 2018 has risen \$0.76 per cwt largely. Chart 1 presents the SUP for the most recent three years and the projected prices for the remainder of 2018.

Chart 1



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Butter

A strong butter price continues to bolster the current SUP. National Dairy Product Sales Report (NDPSR) prices, which are used in Federal Order pricing, were \$2.1759 and \$2.2452 per pound for March and April, respectively. Both of these were record highs for the respective months. The butter price has averaged 24 to 39 cents higher than the most recent five-year average through April. May is expected to continue the record-breaking trend. The CME spot butter price on May 15 closed at \$2.3825 per pound. CME Butter futures peak at or above \$2.48 per

Cheese

Monthly NDPSR Cheese prices, have averaged \$1.5295 per pound over the first 4 months of 2018. Monthly prices have been between 16 and 27 cents per pound below the most recent five-month average. As of May 15, the block and barrel cheese CME spot prices were \$1.64 and \$1.60 per pound, respectively. CME Cheese futures peaked just above \$1.75 per pound during September and October.

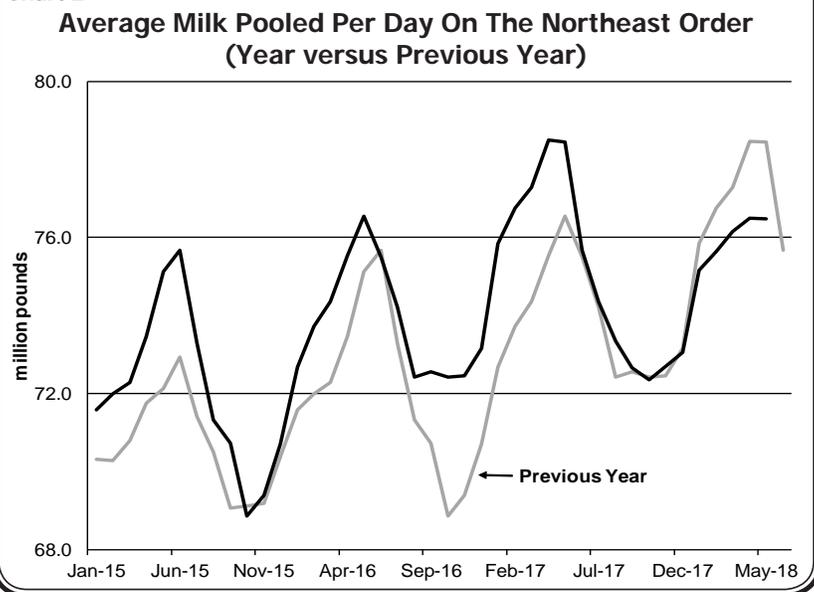
NFDM

Monthly NDPSR Nonfat dry milk (NFDM) prices averaged \$0.7037 for the first four months of 2018. During this period, the NFDM price has averaged 55 cents below its previous five year average. The NDPSR price for the first week of May was \$0.7631 per pound. The CME Spot price for NFDM on May 15 was \$0.8475 and CME futures for NFDM climb roughly a penny each month from June on, reaching \$0.9245 per pound in December.

Northeast Pool Volume Slowing

Stronger price recovery can be aided if milk supplies relative to demand slow or contract. Some evidence of this currently happening in the Northeast can be seen in recent volumes of milk pooled on the Northeast Order. Chart 2 shows year versus previous year average daily pooled pounds per month. Of note is that January 2018 forward is the first time during the period shown, since January 2015, that any sustained period of year over year contraction has occurred. ❖

Chart 2



Manufactured Dairy Products—2017 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2017 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table highlights selected products' changes from 2017 to 2016 and 2012, for both the U.S. and for milk used in the Northeast Order. All changes have been adjusted for leap years in 2012 and 2016.

Cheese Production

Nationally, total cheese production (excluding cottage cheese) grew 4.2 percent from 2016. The greatest increases were seen in American and other types (includes Hispanic, feta, and Muenster; blue and gorgonzola, brick, Gouda and some other varieties) that both grew 6.6 percent from the previous year. Cream cheese rose 4.0 percent while total Italian (includes ricotta that declined 5.0 percent) and Swiss both increased 1.8 percent.

When compared to five years earlier, total cheese is up 16.6 percent. American, Italian, and cream cheese all have had growth of about 17 percent; other types grew 22.9 percent from 5 years ago.

In the Northeast, milk used in making cheese rose 4.0 percent from 2016 to 2017. By category, milk used in Italian cheese was up 5.5 percent (this figure includes ricotta, which increased 6.6 percent); cream cheese grew 4.1 percent; and American rose 3.8 percent. Swiss (which includes other cheeses) decreased 2.5 percent from the previous year. Compared to 2012, milk used in cheese rose 19.7 percent. Increases in individual products rose 12 to 28 percent.

Other Products

U.S. butter and yogurt (plain and fruit flavored) production increased slightly from 2016 to 2017 (up 0.7 percent); in the Northeast butter rose 18.4 percent while yogurt increased a slight 0.9 percent. Nonfat dry milk (NFDm) increased 5 percent from 2016, nationally. In the Northeast, milk used in the production of dry milk products (mostly nonfat, but does include some whole milk powder) grew 1.1 percent from 2016. Compared to 2012, NFDm rose 4.3 percent nationally. It increased 91.1 percent in the Northeast from 2012.

Leading States

The top three cheese-producing states continued to be Wisconsin, California, and Idaho; New York ranked

Change in Selected Manufactured Dairy Products, 2017

	Total US Production of Manufactured Products		Total Northeast Order Milk Used to Manufacture#	
	2017 from:			
	2012	2016	2012	2016
	(percent change)			
Cheese				
American^	16.8	6.6	26.7	3.8
Italian+	16.5	1.8	13.8	5.5
Cream and Neufchatel	17.1	4.0	17.4	4.1
Other*	15.9	5.4	28.4	(2.5)
Total Cheese(excludes cottage)	16.6	4.2	19.7	4.0
Butter	(0.4)	0.7	48.3	18.4
NFDm~	4.3	5.0	91.1	1.1
Yogurt	1.7	0.7	(1.3)	0.9

Source: USDA, NASS - Dairy Products 2017 Summary; Northeast Order pool report data; percent change adjusted for leap years.

Based on total milk used in manufacture of products.

^ 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.

fourth. Wisconsin remained the number one producer of both American and Italian cheese. California 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, 77.7 percent was used in manufactured products (22.3 percent sold for fluid use) in 2017, up from 76.9 percent in 2016 and 73.7 percent in 2012.

In the Northeast Order, the total amount of pooled milk utilized in manufactured products equaled 67.3 percent in 2017; this compares to 66.9 in 2016 and 60.1 in 2012. ❖

Market Administrator Retires

On May 3, 2018, Erik F. Rasmussen retired from the position of Market Administrator of the Northeast Milk Marketing Area. Mr. Rasmussen had more than 44 years of government service, most of it within USDA's Dairy Program. He held the position of Market Administrator since the inception of the Northeast Marketing Area in January 2000.

Shawn M. Bookoff will serve as Acting Market Administrator effective May 4 through July 31, 2018. A further notice will be issued on or before this date as to whether a permanent appointment will be made. ❖

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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	691,476,387	\$9.07	62,716,908.30	
Butterfat	15,087,279	2.4576	37,078,496.87	
Less: Location Adjustment to Handlers			(2,681,559.62)	\$97,113,845.52
Class II— Butterfat	32,101,781	2.5183	80,841,915.10	
Nonfat Solids	46,968,652	0.6011	28,232,856.70	109,074,771.80
Class III— Butterfat	27,032,531	2.5113	67,886,795.10	
Protein	18,014,189	1.7810	32,083,270.64	
Other Solids	33,353,090	0.0619	2,064,556.29	102,034,622.03
Class IV— Butterfat	15,252,292	2.5113	38,303,080.91	
Nonfat Solids	41,305,245	0.5401	22,308,962.82	60,612,043.73
Total Classified Value				\$368,835,283.08
Add: Overage—All Classes				26,777.02
Inventory Reclassification—All Classes				235,784.44
Other Source Receipts	224,148 Pounds			6,532.19
Total Pool Value				\$369,104,376.73
Less: Producer Component Valuations @ Class III Component Prices				(359,242,597.35)
Total PPD Value Before Adjustments				\$9,861,779.38
Add: Location Adjustment to Producers				12,953,386.85
One-half Unobligated Balance—Producer Settlement Fund				925,964.13
Less: Producer Settlement Fund—Reserve				(1,020,293.20)
Total Pool Milk & PPD Value	2,295,034,063 Producer pounds			\$22,720,837.16
Producer Price Differential		\$0.99		
Statistical Uniform Price		\$15.46		

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