



# The Market Administrator's

# BULLETIN

## NORTHEAST MARKETING AREA

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Federal Order No. 1

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### February Pool Price Calculation

The February 2019 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.65 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 \$18.07 per hundredweight. The February statistical uniform price was 23 cents per hundredweight above the January price and \$1.77 per hundredweight above the February 2018 price. The February producer price differential (PPD) at Suffolk County was \$2.76 per hundredweight, an increase of 30 cents per hundredweight from last month.

#### Product Prices Effect

All commodity product prices rose except dry whey. Butter and nonfat dry milk each rose about 3 cents per pound, while cheese rose nearly 1 cent per pound. Dry whey declined 2.6 cents per pound. These changes translated to increases of 3.6 cents in the butterfat price and 2.8 cents in the nonfat solids price. Due to the increase in the butterfat price, which is a component of the protein component price formula, the protein price dropped 1.5 cents per pounds. The dry whey decrease resulted in a 2.7-cent decline in the other solids price. The butterfat price was the highest ever for the month of February since the Order's inception.

Class prices were mixed: Class I rose 18 cents, Class II was up 39 cents, Class III decreased 7 cents, and Class IV increased 38 cents, all on a per hundredweight basis. With a higher proportion of the total milk receipts assigned to the higher class prices, the SUP rose. The spread between the higher and lower priced classes rose resulting in an increase in the PPD.

#### Selected Statistics

Average daily deliveries per producer set a new record high for the month of February and were the third highest ever under the Order. Producer milk receipts classified as Class IV were the second highest volume ever for the month of February. Both the average producer butterfat and protein tests set new record highs for February. ❖

### Pool Summary

- A total of 10,101 producers were pooled under the Order with an average daily delivery per producer of 7,377 pounds.
- Pooled milk receipts totaled 2.086 billion pounds, an increase of 1.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 31.4 percent of total milk receipts, down 1.3 percentage points from January.
- The average butterfat test of producer receipts was 3.98 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	31.4	655,856,912
Class II	24.6	513,202,545
Class III	26.2	545,433,008
Class IV	17.8	371,907,680
Total Pooled Milk		2,086,400,145

#### Producer Component Prices

	2019	2018
	\$/lb	
Protein Price	1.1776	1.6265
Butterfat Price	2.5345	2.3490
Other Solids Price	0.2631	0.0550

#### Class Prices

	2019	2018
	\$/cwt	
Class I	18.55	17.50
Class II	16.13	13.44
Class III	13.89	13.40
Class IV	15.86	12.87

## Class I Skim Milk Price Formula Amended

The U.S. Department of Agriculture (USDA) has announced an amendment to the Class I skim milk price formula under the Federal Milk Marketing Order (FMMO) program, in accordance with the Agriculture Improvement Act of 2018 (2018 Farm Bill). The change is effective May 1, 2019. **The new price formulas will be reflected in the May Advanced Class I skim milk price that will be announced on April 17, 2019.**

Currently, the Class I skim milk price is calculated using the higher of the monthly advanced pricing factors for Class III or Class IV skim milk, which reflect dairy product survey prices for the two weeks prior to the price announcement, plus the applicable adjusted Class I differential. Because market prices for these surveyed products fluctuate, the "higher of" factor used to determine the Class I skim milk price can change, increasing risk and uncertainty associated with hedging.

To address this issue, Congress determined that the

### Hypothetical May 2019 Class I Pricing

	Class I Pricing Methodology	
	Existing Formula	New Formula
	(per hundredweight)	
Advanced Class III skim milk pricing factor	\$6.25	\$6.25
Advanced Class IV skim milk pricing factor	\$7.10	\$7.10
Class I skim @ base zone	\$10.35	\$10.67
	[ <b>HIGHER</b> of Class III or IV skim price plus Class I differential]	[ <b>AVERAGE</b> of Class III or IV skim price plus \$0.74 plus Class I differential]
Class I Price @ base zone	\$19.12	\$19.43

Note: Uses April 2019 Chicago Mercantile Exchange dairy product futures prices settled March 14, 2019. Priced at the \$3.25 differential zone.

formula for the FMMO Class I skim milk price should be the average of the monthly Class III and Class IV advanced pricing factors plus \$0.74 per hundredweight plus the applicable adjusted Class I differential.

In accordance with the 2018 Farm Bill, the amendment is effective indefinitely, until further modified, and may not be modified sooner than two years after the effective date of this rule. The Federal Register notice is available at: [www.federalregister.gov/documents/2019/03/11/2019-04347/federal-milk-marketing-orders-amending-the-class-i-skim-milk-price-formula](http://www.federalregister.gov/documents/2019/03/11/2019-04347/federal-milk-marketing-orders-amending-the-class-i-skim-milk-price-formula). ❖

## U.S. Milk Production Growth Slows

The total milk production in the United States grew 0.9 percent in 2018, a lesser increase than in 2017 (1.7 percent). The rate of growth in 2016 was 1.6 percent.

The increase in the top ten milk-producing states combined was higher than the national average. Growth in the combined total for the top 23 milk-producing states reported by the National Agricultural Statistics Service (NASS) also was higher than the national average. The accompanying table shows the top ten states ranked by their total 2018 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, 2018

Rank	State	2017 (million pounds)	2018	Percent Change	2018	
					Cows (1,000 head)	MPC* (pounds)
1	California	39,798	40,413	1.5	1,734	23,306
2	Wisconsin	30,333	30,579	0.8	1,274	24,002
3	Idaho	14,633	15,149	3.5	609	24,875
4	New York	14,929	14,882	(0.3)	623	23,888
5	Texas	12,054	12,852	6.6	537	23,933
6	Michigan	11,231	11,168	(0.6)	424	26,340
7	Pennsylvania	10,893	10,665	(2.1)	519	20,549
8	Minnesota	9,867	9,868	0.0	453	21,784
9	New Mexico	8,212	8,285	0.9	330	25,106
10	Washington	6,531	6,736	3.1	277	24,318
	Top Ten Total	158,481	160,597	1.3	6,780	23,687
	Top 23 Total	202,507	204,933	1.2	8,750	23,421
	U.S. Total	215,527	217,574	0.9	9,399	23,149

Source: NASS, Milk Production

\* Milk Produced per Cow

### Idaho Regains Number Three Spot

The top ten list contained the same states as in 2017 with a slight change in the order. California and Wisconsin

remained numbers one and two. Idaho regained the number 3 spot from New York that held it for 2016 and (continued on page 3)

## **U.S. Milk** (continued from page 2)

2017. Idaho's strong production (3.5 percent increase) pushed its total over 15 billion pounds for the first time ever. All other states' ranks remained the same as in 2017. After reporting decreases the past 2 years, number one-ranked California showed growth of 1.5 percent in 2018. Texas reported the largest increase of the top-ten states, 6.6 percent. Decreases were reported in New York, Michigan, and Pennsylvania. All other top-ten states reported increases except Minnesota that showed no change.

Of the NASS reported top 23 states, ten showed decreases from 2017. The largest increase reported by a top-23 state was in Colorado, rising 8.8 percent in 2018. The largest decrease was reported by Virginia, dropping 5.8 percent. Overall, the top 23 states combined reported an increase of 1.2 percent in 2018, not as strong as 2017 (1.8 percent).

### **Northeast Production Down**

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling into the marketing area) decreased 1.6 percent in 2018. The only milkshed state reporting growth was Connecticut (1.7 percent). The three largest contributing states to the Northeast Order reported declines: New York was down 0.3 percent, Pennsylvania had a negative 2.1 percent, and Vermont declined 1.8 percent.

### **Cow Numbers and Production per Cow**

Nationally, the number of milk cows decreased a slight 0.1 percent in 2018; in 2017, they rose 0.7 percent. Thirty states showed declining cow numbers, up from 20 in 2017. Nine states reported increases, compared to 15 in 2017. Eleven states had no change. Of those with increasing cow numbers, four were in the top ten states. The remaining top ten states reported decreases in cow numbers. The state with the largest increase on a percentage basis was Colorado (8.6 percent).

In the Northeast milkshed states, milk cow numbers declined 1.3 percent. The combined total for New York, Pennsylvania, and Vermont was down 0.7 percent from 2017. No states in the milkshed reported increases in cow numbers; Connecticut, Maine, and New Jersey had no change.

Average MPC grew 1.0 percent nationally, up from the 0.7 percent increase in 2017. Michigan led the nation in MPC, followed by Colorado. Only fifteen states had MPC greater than the national average; eight of them are in the top ten. The only top-ten states below the national average were Minnesota and Pennsylvania.

For the Northeast states, MPC dropped a slight 0.3 percent. The U.S. average milk per cow was 23,149 pounds in 2018; the average was 21,921 pounds in the Northeast states. New York's MPC (23,888 pounds) was above the national average. ❖

## **Dairy Forward Program Extended**

The Agricultural Improvement Act of 2018, signed into law on December 20, 2018, extended the authorization of the Dairy Forward Pricing Program contained in the Food, Conservation and Energy Act of 2008 (the 2008 Farm Bill), through September 30, 2023. Handlers may now enter new forward price contracts with producers or cooperative associations of producers through September 30, 2023. Contracts may extend through September 30, 2026. All other provisions of the Dairy Forward Price Program remain the same. Forward contracts established prior to October 1, 2018, are not impacted.

The final rule extending the program was posted on the Federal Register website for public display at: [www.federalregister.gov/public-inspection/current](http://www.federalregister.gov/public-inspection/current).

### **Program Highlights**

- All new contracts must be signed by both parties prior to the effective month. The signed contract and disclosure statement must be received by the Market Administrator prior to the 15th of the applicable month. For example, to contract for April 2019 milk, the forward contract and disclosure statement must be signed prior to April 1, 2019, and received by the Market Administrator by April 15, 2019.
- The disclosure statement must be signed on the same date as the contract.
- Producer milk that has been forward contracted under the terms of the program is not subject to minimum payment to a producer or cooperative association under a Federal Order.
- For contracts signed between September 30, 2018, and March 3, 2019, if the Market Administrator has already received a copy of the contract and disclosure statement or receives them by March 15, 2019, and the contract includes March milk deliveries, the contract applies only to milk marketed on or after March 4, 2019. This holds true even if contract deliveries began in a prior month. However, contracts cannot be included in the program if the disclosure statement has a date other than the date on which the contract was signed. In this case, if a handler and producer would like to have a valid contract applicable under the program, another contract must be negotiated.
- For contracts signed between September 30, 2018, and March 3, 2019, there will be no allowance for payments less than the Federal order minimum for milk marketed between October 2018 and March 3, 2019.
- Forward contracts established under this program may not extend past September 30, 2026. ❖



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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	641,564,386	\$10.05	64,477,220.79	
Butterfat	14,292,526	2.5287	36,141,510.50	
Less: Location Adjustment to Handlers			(2,591,820.39)	\$98,026,910.97
Class II— Butterfat	28,046,970	2.5415	71,281,374.26	
Nonfat Solids	44,963,443	0.8333	37,468,037.10	108,749,411.36
Class III— Butterfat	25,318,696	2.5345	64,170,235.05	
Protein	17,142,486	1.1776	20,186,991.51	
Other Solids	31,161,662	0.2631	8,198,633.30	92,555,859.86
Class IV— Butterfat	15,415,973	2.5345	39,071,783.56	
Nonfat Solids	33,068,891	0.8041	26,590,695.25	65,662,478.81
<b>Total Classified Value</b>				<b>\$364,994,661.00</b>
Add: Overage—All Classes				81,471.99
Inventory Reclassification—All Classes				(44,796.86)
Other Source Receipts	198,726 Pounds			9,113.69
<b>Total Pool Value</b>				<b>\$365,040,449.82</b>
Less: Producer Component Valuations @ Class III Component Prices				(319,477,418.76)
<b>Total PPD Value Before Adjustments</b>				<b>\$45,563,031.06</b>
Add: Location Adjustment to Producers				11,883,272.25
One-half Unobligated Balance—Producer Settlement Fund				1,012,988.19
Less: Producer Settlement Fund—Reserve				(869,162.74)
<b>Total Pool Milk &amp; PPD Value</b>	2,086,598,871 Producer pounds			<b>\$57,590,128.76</b>
Producer Price Differential		<b>\$2.76</b>		
Statistical Uniform Price		<b>\$16.65</b>		

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