

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1

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December Pool Price Calculation

The December 2019 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$19.28 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 \$21.13 per hundredweight. The December statistical uniform price was 8 cents per hundredweight above the November price. The December producer price differential (PPD) at Suffolk County was \$-0.09 per hundredweight; it was \$-1.25 in November.

Product Prices Effect

Commodity product price changes continued to be mixed. The December butter price fell 10 cents and the cheese price dropped 12 cents per pound while the nonfat dry milk price rose another 6 cents and the dry whey price increased 2 cents per pound. These changes resulted in a 12-cent decline in the butterfat price, a 26-cent drop in the protein price, a 6-cent increase in the nonfat solids price, and a 2-cent increase in the other solids price, all on a per pound basis. Even though the protein price declined, it was still the highest ever for the month of December.

Class price changes also were mixed from the previous month. The Class I price rose \$1.19 based on higher prices in November, Class II decreased 4 cents, Class III dropped \$1.08, and Class IV rose 10 cents, all on a per hundredweight basis. With the largest utilization in the higher-priced classes (Classes I and III), the SUP increased. Since producers are paid based on their components at the Class III level, the payout again exceeded the pool value resulting in a negative PPD at all zones, although not as negative as in November.

Selected Statistics

Average daily deliveries per producer set a new record high for the month of December. Class IV volume was the highest ever for December. The average producer butterfat test tied with November as a new record high for the Order. The average other solids test was the highest ever for the month of December. ❖

Pool Summary

- A total of 9,481 producers were pooled under the Order with an average daily delivery per producer of 7,656 pounds.
- Pooled milk receipts totaled 2.25 billion pounds, an increase of 4.9 percent from last month on an average daily basis.
- Class I usage accounted for 31.8 percent of total milk receipts, unchanged from November.
- None of the comparisons above were adjusted for milk not pooled in November.
- The average butterfat test of producer receipts was 4.02 percent.
- The average true protein test of producer receipts was 3.18 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 31.8 | 715,366,838 |
| Class II | 20.9 | 471,018,319 |
| Class III | 26.0 | 585,703,784 |
| Class IV | 21.3 | 478,091,718 |
| Total Pooled Milk | | 2,250,180,659 |

Producer Component Prices

| | 2019 | 2018 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 3.6515 | 1.1417 |
| Butterfat Price | 2.1952 | 2.5080 |
| Other Solids Price | 0.1341 | 0.2775 |

Class Prices

| | 2019 | 2018 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 22.58 | 18.30 |
| Class II | 16.81 | 15.67 |
| Class III | 19.37 | 13.78 |
| Class IV | 16.70 | 15.09 |

2019 Northeast Order Statistics Summarized

Total milk received from producers equaled 26.8 billion pounds in 2019, down 1.3 percent from 2018. Even though the total amount of milk pooled on the Order declined, the average volume per producer topped 7,000 pounds every month during the year and grew 6.9 percent from 2018. This was the highest year-over-year increase since the Order's inception. The year ended with 813 fewer producers than at the end of 2018, the largest year-to-year drop recorded for the Order.

Total milk production rose nationally in 2019, but at a smaller rate than last year. Overall, fluid sales were down about 2 percent in 2019, but strong demand for cheese and nonfat dry milk, and butter to a lesser degree, propped up prices during much of 2019. All class prices increased and the statistical uniform price (SUP) averaged 12.6 percent above 2018.

The accompanying table compares selected pool statistics for 2018 and 2019. The chart shows monthly changes in utilization by class for 2019. Comparisons have not been adjusted for the significant volume of milk not included in the November pool.

Class Utilization Changes

Class I utilization averaged 31.0 percent in 2019, down 1.1 percentage points from the previous year. The volume of milk used for Class I purposes declined 417.7 million pounds (4.8 percent) from 2018. The total volume of producer receipts used in Class II decreased 1.4 percent from 2018. This decline resulted in a slight decrease in the utilization percentage to 23.9 percent of total producer milk pooled in 2019.

Class III volume decreased 1.1 percent and utilization averaged 26.8 percent, down 0.1 percentage point from 2018. The amount of milk used in Class IV rose 5.0 and accounted for an annual average of 18.3 percent utilization, an increase of 1.1 percentage points. Total Class IV volume was the second highest ever since the Order's inception.

Prices Higher Than 2018

As previously mentioned, milk supplies were sufficient during 2019, but growth in production was slower than the past 5 years. Demand for certain dairy products was strong, particularly cheese and nonfat dry milk, resulting in reduced stocks and higher prices.

National Dairy Product Sales Report (NDPSR) butter prices were similar to 2018, averaging \$2.2431 per pound and only 0.6 percent below the previous year. February, March, and April of 2019 recorded record-setting monthly high butterfat prices.

Cheese prices bumped up about mid-year and finished with the highest average since 2014. Block

Northeast Order Pool Statistics, 2018–2019

| Pool Statistics | 2018 | 2019 | 2018-19 Change |
|---------------------|------------------------|----------|-------------------|
| | million pounds | | percent |
| Class I | 8,700.8 | 8,283.1 | (4.8) |
| Class II | 6,495.6 | 6,401.6 | (1.4) |
| Class III | 7,238.9 | 7,160.8 | (1.1) |
| Class IV | 4,673.6 | 4,906.2 | 5.0 |
| Total | 27,108.9 | 26,751.7 | (1.3) |
| | pounds | | |
| DDP | 7,026 | 7,510 | 6.9 |
| | utilization percentage | | change |
| Class I | 32.1 | 31.0 | (1.1) |
| Class II | 24.0 | 23.9 | (0.1) |
| Class III | 26.7 | 26.8 | 0.1 |
| Class IV | 17.2 | 18.3 | 1.1 |
| | dollars/cwt | | percent |
| Class I | 18.09 | 20.24 | 11.9 |
| Class II | 14.80 | 16.76 | 13.2 |
| Class III | 14.61 | 16.96 | 16.1 |
| Class IV | 14.23 | 16.30 | 14.5 |
| SUP | 16.09 | 18.12 | 12.6 |
| Producer Component: | | | |
| Tests: | percent | | change |
| Butterfat | 3.86 | 3.90 | 0.04 |
| Protein | 3.09 | 3.10 | 0.01 |
| Other Solids | 5.75 | 5.76 | 0.01 |
| Prices: | dollars/lb | | percent |
| Butterfat | 2.5258 | 2.5088 | (0.7) |
| Protein | 1.6497 | 2.3796 | 44.2 |
| Other Solids | 0.1474 | 0.1862 | 26.3 |
| Nonfat Solids | 0.6204 | 0.8654 | 39.5 |

prices were the driver for most of the year; barrel prices jumped and surpassed block prices in November 2019. The NDPSR cheese price averaged \$1.7586 per pound in 2019, up 14.4 percent from the previous year. Protein prices began to climb at the end of the first quarter and ended the year with the second highest prices recorded (only 2007 were higher).

Nonfat dry milk, and correspondingly the nonfat solids price, reported their strongest prices since 2014. The NDPSR nonfat dry milk price averaged \$1.0419 per pound, up 31.1 percent from 2018. Dry whey prices were above the previous year, but not as strong as in 2017. The NDPSR dry whey price averaged \$0.3799 per pound, an increase of 11.0 percent from the prior year.

All component prices averages were above the previous year except butterfat. The price paid to producers for butterfat averaged \$2.5088 per pound, down 0.7 percent from 2018, but the third (continued on page 3)

2019 Northeast Order (continued from page 2)

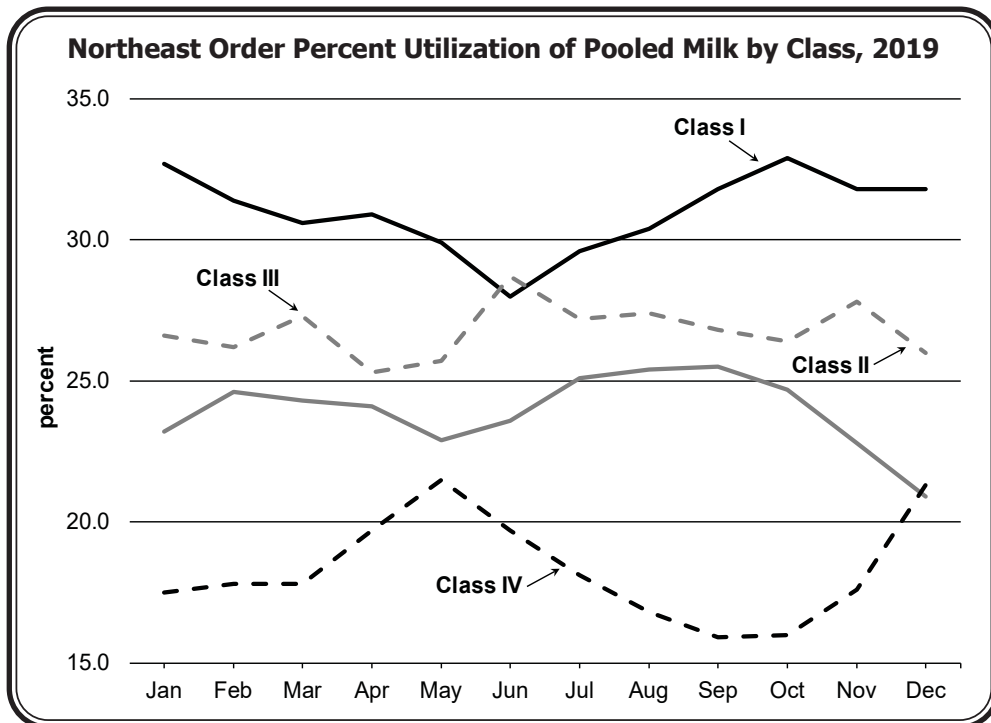
highest reported since the Order's inception in 2000. The per-pound annual average protein price was \$2.3796 per pound, up 44.2 percent from last year's record-setting low. The other solids price averaged \$0.1862 per pound, an increase of 26.3 percent from 2018. The nonfat solids price averaged \$0.8654 per pound, 39.5 percent above last year's record-setting lowest price.

These price changes translated into higher class prices, which were about 12-16 percent above those in 2018. The Class I price averaged \$20.24 per hundredweight in 2019, up 11.9 percent from the 2018 annual average. The Class II price averaged \$16.76 per hundredweight, an increase of 13.2 percent from the previous year. The Class III price averaged \$16.96, up 16.0 percent from 2018. The Class IV price increased to \$16.30, an increase of 14.5 percent. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged \$18.12 per hundredweight, 12.6 percent above the 2018 average.

Producer Tests

The annual average producer butterfat test equaled 3.90 percent in 2019, an increase of 0.04 percentage

points from 2018. There were record highs set during all months of 2019, except August, with the test topping 4.00 in November and December. The annual average producer protein test was 3.10 percent, up 0.01 percentage points from 2018; a record high was set in February and tied in March and September. The producer other solids test rose to a record-high average of 5.76 percent, up 0.01 percentage points from last year; records were set in 2 months and tied in 4 months of 2018. ❖



Pool Summary for All Federal Orders, January–December, 2018–2019

| Federal Order | | Total Producer Milk | | | Producer Price | | Statistical | |
|---------------------------------|-------------------------|------------------------|------------------------|---------------------|----------------|---------------------------|----------------|--------------|
| | | | | | Differential# | | Uniform Price# | |
| Number | Name | 2018 | 2019* | Change [^] | 2018 | 2019 | 2018 | 2019 |
| | | pounds | | | percent | dollars per hundredweight | | |
| 1 | Northeast | 27,108,941,409 | 26,751,705,028 | (1.3) | 1.48 | 1.16 | 16.09 | 18.12 |
| 5 | Appalachian | 5,734,468,520 | 5,326,588,524 | (7.1) | N/A | N/A | 17.31 | 19.40 |
| 6 | Florida | 2,565,407,872 | 2,509,778,873 | (2.2) | N/A | N/A | 19.37 | 21.41 |
| 7 | Southeast | 5,209,311,352 | 4,902,610,976 | (5.9) | N/A | N/A | 17.75 | 19.81 |
| 30 | Upper Midwest | 33,322,551,404 | 32,310,206,014 | (3.0) | 0.17 | 0.00 | 14.78 | 16.96 |
| 32 | Central | 16,604,254,052 | 15,259,515,124 | (8.1) | 0.27 | (0.16) | 14.89 | 16.80 |
| 33 | Midwest | 19,602,920,451 | 18,941,746,950 | (3.4) | 0.60 | 0.26 | 15.21 | 17.21 |
| 51 | California [^] | 4,117,330,302 | 24,271,881,771 | N/A | 1.07 | (0.16) | 15.18 | 16.80 |
| 124 | Pacific Northwest | 8,558,063,981 | 8,496,370,522 | (0.7) | 0.22 | (0.20) | 14.84 | 16.76 |
| 126 | Southwest | 13,727,391,349 | 12,899,796,302 | (6.0) | 1.13 | 0.49 | 15.74 | 17.45 |
| 131 | Arizona | 5,132,875,002 | 4,840,113,614 | (5.7) | N/A | N/A | 15.12 | 17.30 |
| All Market Total/Average | | 141,683,515,694 | 156,510,313,698 | 10.5 | 0.70 | 0.20 | 16.02 | 18.00 |

* A significant volume of milk was not included in the pool during the month of November 2019.

N/A = Not applicable.

Price at designated order location.

[^] California Milk Marketing Area (F.O. 51) became effective November 1, 2018.

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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 | 698,663,171 | \$14.86 | 103,821,347.21 | |
| Butterfat | 16,703,667 | 2.3533 | 39,308,739.55 | |
| Less: Location Adjustment to Handlers | | | (2,815,742.24) | \$140,314,344.54 |
| Class II— Butterfat | 30,109,814 | 2.2022 | 66,307,832.37 | |
| Nonfat Solids | 41,110,707 | 1.0478 | 43,075,798.81 | 109,383,631.18 |
| Class III— Butterfat | 26,730,080 | 2.1952 | 58,677,871.63 | |
| Protein | 18,586,603 | 3.6515 | 67,868,980.86 | |
| Other Solids | 33,596,563 | 0.1341 | 4,505,299.08 | 131,052,151.57 |
| Class IV— Butterfat | 16,871,030 | 2.1952 | 37,035,285.06 | |
| Nonfat Solids | 43,106,337 | 1.0378 | 44,735,756.54 | 81,771,041.60 |
| Total Classified Value | | | Total value of milk in the pool | \$462,521,168.89 |
| Add: Overage—All Classes | | | | 279,965.81 |
| Inventory Reclassification—All Classes | | | | (3,415.24) |
| Other Source Receipts | 147,927 Pounds | | | 3,676.81 |
| Total Pool Value | | | Total value of producer components | \$462,801,396.27 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (477,572,317.45) |
| Total PPD Value Before Adjustments | | | | (\$14,770,921.18) |
| Add: Location Adjustment to Producers | | | | 12,944,584.62 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 877,402.02 |
| Less: Producer Settlement Fund—Reserve | | | | (1,076,361.19) |
| Total Pool Milk & PPD Value | 2,250,328,586 Producer pounds | | | (\$2,025,295.73) |
| Producer Price Differential | | (\$0.09) | | |
| Statistical Uniform Price | | \$19.28 | | |

Negative value from which PPD per hundredweight

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