

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1

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January Pool Price Calculation

The January 2020 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.78 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 \$20.28 per hundredweight. The January statistical uniform price was 50 cents per hundredweight below the December price. The January producer price differential (PPD) at Suffolk County was \$1.73 per hundredweight; the PPD was \$-0.09 in December.

Product Prices Effect

Commodity product prices for butter and cheese decreased while nonfat dry milk and dry whey increased. The butter price declined about 7 cents per pound. The cheese price fell over 24 cents per pound mainly due to the 45-cent drop in the barrel price combined with the nearly 4-cent decline in the block price. The nonfat dry milk price rose 3 cents and the dry whey price increased 1 cent per pound. These changes resulted in a 3-cent increase in the nonfat solids price, a 1-cent higher other solids price, a decline of 8 cents in the butterfat price, and a 69-cent drop in the protein price, the largest monthly decline in 11 years. Even though the protein price dropped significantly, it was still the fourth highest ever for the month of January.

All class prices decreased from the previous month except the Class II price that rose 24 cents per hundredweight. The Class I price decreased 32 cents, Class IV fell 5 cents, and Class III dropped \$2.32, all on a per hundredweight basis. With lower overall prices, the SUP declined from the previous month, but with the price spread returning to a more typical pattern, the PPD returned to a positive value.

Selected Statistics

Average daily deliveries per producer set a new record high for the Order. Class IV volume was the highest ever for January. The average producer butterfat test tied with 2019 as a record high for the month. The average other solids test was the highest ever for the month of January. ❖

Pool Summary

- A total of 9,429 producers were pooled under the Order with an average daily delivery per producer of 7,875 pounds.
- Pooled milk receipts totaled 2.302 billion pounds, an increase of 2.3 percent from last month on an average daily basis.
- Class I usage accounted for 31.1 percent of total milk receipts, a decrease of 0.7 percentage points from December.
- The average butterfat test of producer receipts was 3.99 percent.
- The average true protein test of producer receipts was 3.14 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.1	715,647,377
Class II	23.2	534,053,277
Class III	26.3	604,398,486
Class IV	19.4	447,766,006
Total Pooled Milk		2,301,865,146

Producer Component Prices

	2020	2019
	\$/lb	
Protein Price	2.9606	1.1927
Butterfat Price	2.1117	2.4981
Other Solids Price	0.1417	0.2898

Class Prices

	2020	2018
	\$/cwt	
Class I	22.26	18.37
Class II	17.05	15.74
Class III	17.05	13.96
Class IV	16.65	15.48

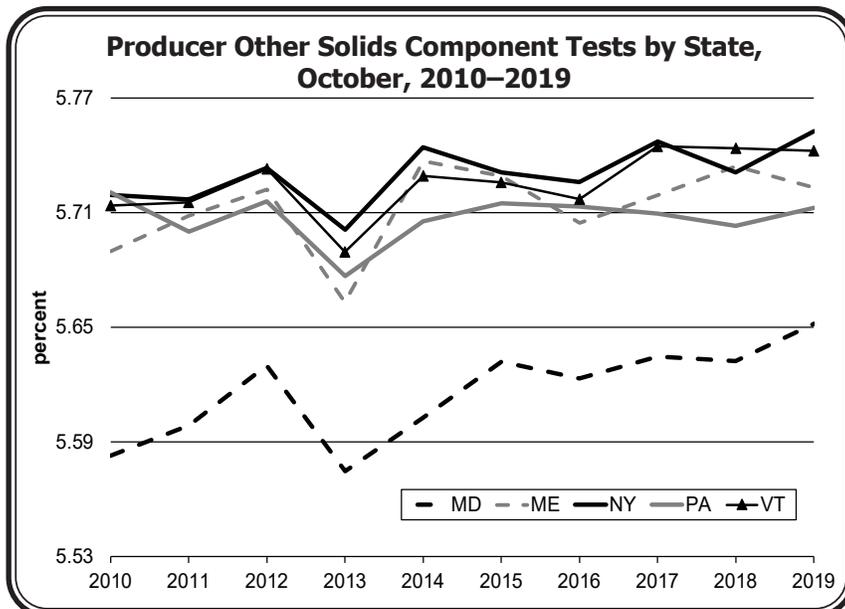
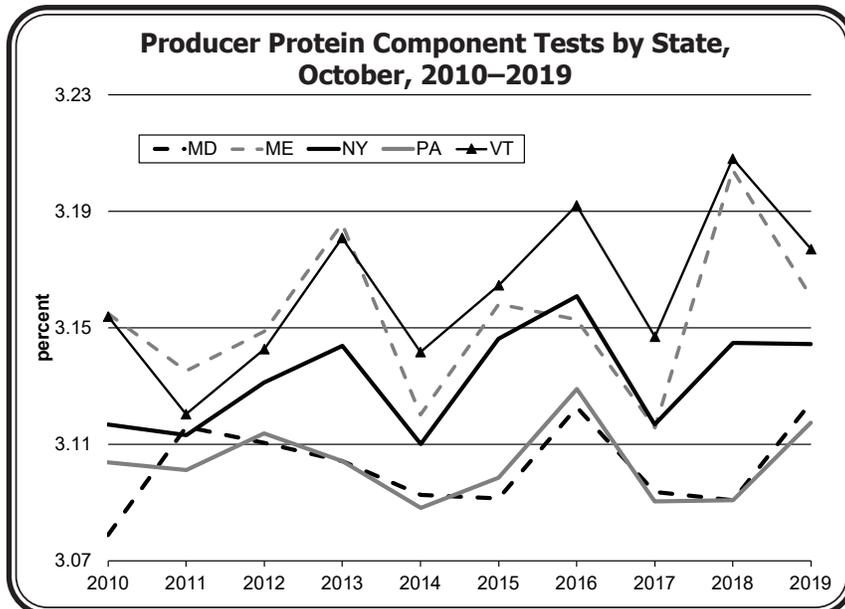
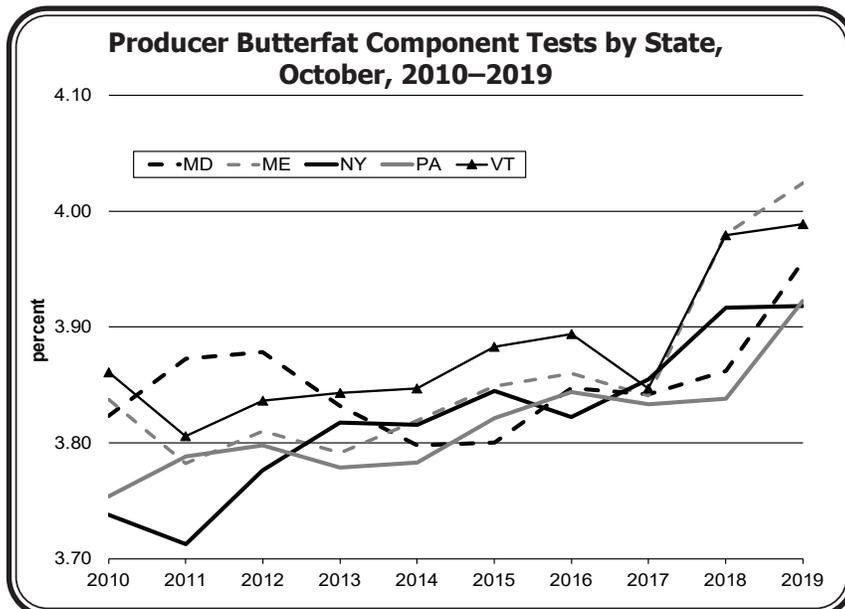
Component Level Observations

The Federal Order monthly pricing formulas use a variety of factors to determine the value of each class of milk. Milk is comprised of components that each carry its own value. The level of butterfat, protein, and other solids in milk have a large role in determining monthly milk prices. The component levels in milk can change over time due to changing feed quality/schedules, marginal production costs, climate, technology, milking processes, and environment. These factors may vary across farms of different sizes and locations. These differences are apparent when comparing the component levels of various states in the Northeast Order.

Producer component tests were compared by state for the month of October for 2010-2019. The states compared are the five that contribute the largest volumes to the Northeast pool: Maine, Maryland, New York, Pennsylvania, and Vermont. The accompanying charts show the change in components (butterfat, protein, and other solids) over the 10-year span using Northeast Order verified producer payroll data.

Butterfat tests for the five largest milk contributing states in October 2019 averaged 3.96 percent while protein and other solids averaged 3.14 percent and 5.72 percent, respectively. Compared to October 2010 tests, protein and other solids reported marginal gains in their component tests, rising from 3.12 percent and 5.69 percent, respectively. That's an increase of only 0.02 percentage points for protein and 0.03 percentage points for other solids. In contrast, butterfat has made larger and more consistent gains year-over-year, increasing from 3.80 percent in 2010, an addition of 0.16 percentage points. While protein and other solids tests have been more variable than butterfat, they still trend in an upward direction.

Observing how the component tests change over time can depict a broad trend for the whole industry, but looking at the component tests at a state level basis show which areas have been changing more rapidly. Of the five largest milk contributing states in the Northeast Order, Maine milk producers have had the largest increase in their butterfat test since 2010, up 0.19 percentage points. Maryland milk producers have increased their level of protein and other solids more than any other state since 2010, up (continued on page 3)



Market Services 2019 Summary

The Market Administrator of the Northeast Order oversees a Market Services program that 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.

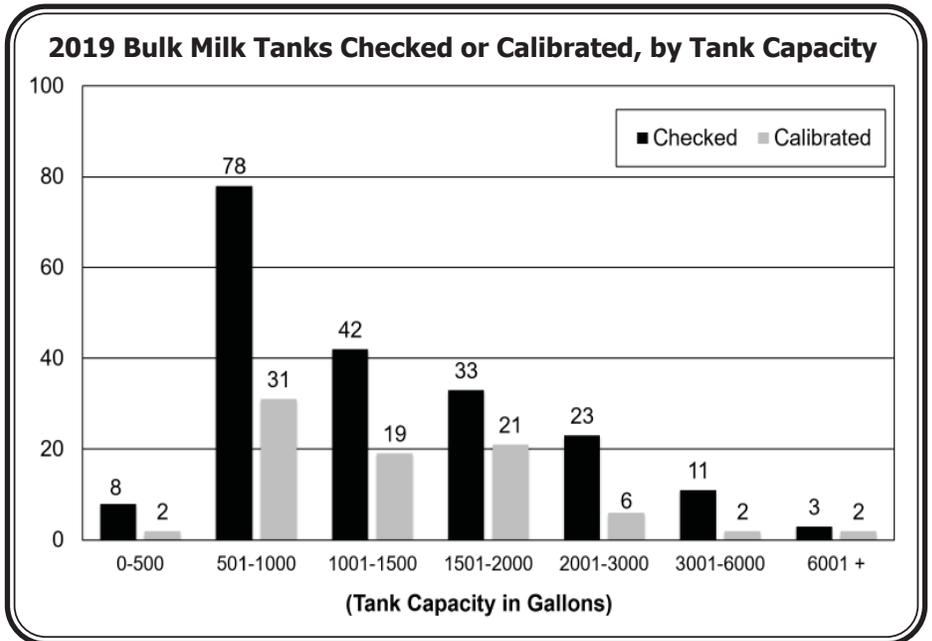
Calibration Program

One aspect of Market Services is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing these services, the two trucks combined covered 22,356 miles in 2019, down from 23,726 miles the previous year. The market service department checked 198 farm bulk tanks throughout the Northeast Marketing Area milkshed during the 2019 season, down nearly 24 percent from 259 in 2018.

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 are performed the same day or rescheduled for another day.

Checks/Calibration Results

Of the 198 tanks checked, 35 (18 percent) were out of tolerance and were recalibrated. Of the tanks requiring recalibration, 51 percent were over measuring; the rest were under measuring the amount of milk. An additional



83 calibrations/recalibrations 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. This number is down from 121 in 2018. Of the tanks that were recalibrated or calibrated, 63 percent were 1,500 gallon tanks or smaller. This figure is up from 55 percent in 2018.

The 198 checks and the 83 additional calibrations total at least 281 farm visits. The accompanying chart shows a breakdown of checks and calibrations by tank size. A tentative schedule for the calibration trucks during the upcoming season is included below. ❖



Component Level (continued from page 2)

0.05 and 0.07 percentage points, respectively. The chart shows that despite making the largest gains over the past ten Octobers, Maryland's protein and other solids tests still trail the other four states. Notably, on the same chart, Pennsylvania is the only state among the five in which any component level decreased over the ten year period; its other solids test decreased 0.01 percentage points. New York's milk producers had the second largest gain in butterfat tests from 2010 to 2019. However, the butterfat chart shows that New York started and ended the last decade with the lowest butterfat test. Looking at the same chart from 2010 to 2017, butterfat tests for each of the five largest milk contributing states never eclipsed 3.86 percent while the average test only increased from 3.80 percent to 3.84 percent. Since late 2018, the average butterfat test has increased 0.12 percentage points and none of the five states reported less than 3.86 percent butterfat. ❖

Month	Area
April	Southern PA, Northern PA, Central NY
May	Finger Lakes Region NY, Eastern NY, Connecticut
June	Central PA, Eastern NY
July	Southern PA, Northern NY, Central NY
August	Western NY, Eastern, NY
September	Central PA, Eastern, NY, Maine, New Hampshire, Vermont
October	Southern PA, Central NY
November	Finger Lakes Region NY, Southern PA

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	699,893,836	\$14.96	104,704,117.87	
Butterfat	15,753,541	2.2340	35,193,410.59	
Less: Location Adjustment to Handlers			(2,841,948.66)	\$137,055,579.79
Class II— Butterfat	31,165,133	2.1187	66,029,567.27	
Nonfat Solids	46,671,853	1.1089	51,754,417.81	117,783,985.08
Class III— Butterfat	28,125,172	2.1117	59,391,925.70	
Protein	18,927,278	2.9606	56,036,099.27	
Other Solids	34,663,657	0.1417	4,911,840.19	120,339,865.16
Class IV— Butterfat	16,803,733	2.1117	35,484,442.97	
Nonfat Solids	40,147,205	1.0665	42,816,994.19	78,301,437.16
Total Classified Value				\$453,480,867.19
Add: Overage—All Classes				52,499.97
Inventory Reclassification—All Classes				36,712.14
Other Source Receipts	183,007 Pounds			8,585.50
Total Pool Value				\$453,578,664.80
Less: Producer Component Valuations @ Class III Component Prices				(427,041,646.33)
Total PPD Value Before Adjustments				\$26,537,018.47
Add: Location Adjustment to Producers				13,263,843.26
One-half Unobligated Balance—Producer Settlement Fund				1,020,593.28
Less: Producer Settlement Fund—Reserve				(996,021.88)
Total Pool Milk & PPD Value	2,302,048,153 Producer pounds			\$39,825,433.13
Producer Price Differential		\$1.73		
Statistical Uniform Price		\$18.78		

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