

The Market Administrator's

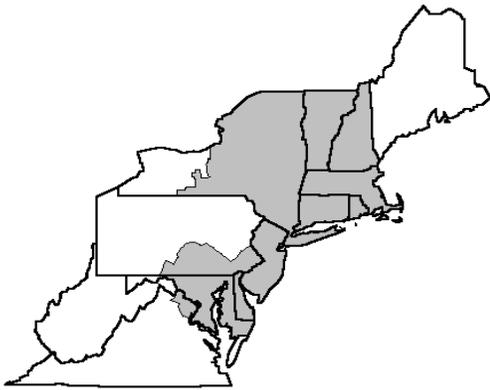
BULLETIN

NORTHEAST MARKETING AREA

Shawn M. Boockoff, Market Administrator

February 2020

Federal Order No. 1



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: NortheastOrder@fedmilk1.com
 website address: www.fmmone.com

February Pool Price Calculation

The February 2020 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.12 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 \$19.56 per hundredweight. The February statistical uniform price was 66 cents per hundredweight below the January price. The February producer price differential (PPD) at Suffolk County was \$1.12 per hundredweight, a decrease of 61 cents from the previous month.

Product Prices Effect

Commodity product prices for butter and cheese decreased while dry whey and nonfat dry milk increased slightly. The butter price dropped 11 cents per pound while cheese declined 2 cents per pound as the 9-cent decrease in the barrel price offset the 5-cent increase in the block price. The dry whey price rose 3 cents per pound. These changes resulted in a 13-cent drop in the butterfat price, a 3-cent increase in the other solids price, and a slight increase in the nonfat solids price. The decrease in the butterfat price, which a factor in the protein price formula, counteracted the decrease in the cheese price, resulting in a 7-cent increase in the protein price.

All class prices decreased from the previous month. The Class I price dropped \$1.46; Class II declined 21 cents; Class III decreased 5 cents; and Class IV fell 45 cents, all on a per hundredweight basis. The lower overall prices translated to a lower SUP. The tightening in the spread between the highest class prices and the Class III price resulted in a lower, but mostly positive, PPD. Only producers shipping to plants in the most distant zones received a negative PPD value.

Selected Statistics

Average daily deliveries per producer set a new record high for the Order and, for the first time, topped 8,000 pounds. The total pooled volume was the highest ever for the month of February and the third highest ever on a per day basis for the month. Class II volume also was the highest ever for February. 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 February and tied with June 2019 for the overall Order record-high. ❖

Pool Summary

- A total of 9,304 producers were pooled under the Order with an average daily delivery per producer of 8,073 pounds.
- Pooled milk receipts totaled 2.178 billion pounds, an increase of 1.2 percent from last month on an average daily basis.
- Class I usage accounted for 29.8 percent of total milk receipts, a decrease of 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 3.14 percent.
- The average other solids test of producer receipts was 5.78 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	29.8	649,003,775
Class II	26.0	565,081,852
Class III	25.9	564,563,737
Class IV	18.3	399,471,780
Total Pooled Milk		2,178,121,144

Producer Component Prices

	2020	2019
	\$/lb	
Protein Price	3.0309	1.1776
Butterfat Price	1.9813	2.5345
Other Solids Price	0.1750	0.2631

Class Prices

	2020	2019
	\$/cwt	
Class I	20.80	18.55
Class II	16.84	16.13
Class III	17.00	13.89
Class IV	16.20	15.86

U.S. Milk Production Growth Slows

The total milk production in the United States rose a slight 0.4 percent in 2019, the lowest increase in milk production in 3 years. The rate of growth was 0.9 in 2018, 1.7 in 2017, and 1.5 in 2016.

The increase in the top ten milk-producing states combined was higher than the national average. Growth in the combined total for the selected 24 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 2019 production and comparisons to the selected 24 states total and the U.S. total for production, cows, and milk production per cow (MPC).

Top Ten Rankings Unchanged

The top ten list contained the same states as in 2018 with California, Wisconsin, and Idaho holding the top 3 spots. In the Northeast, New York and Pennsylvania remained numbers 4 and 7, respectively. Texas reported the largest year-to-year increase in production of the top ten. Pennsylvania and New Mexico were the only top ten states to report decreases from the previous year.

Of the NASS selected 24 states, nine reported decreases from 2018. The largest increase reported by this group was Texas with 7.7 percent followed by Colorado that rose 5.5 percent and moved up from number 14 in 2018 to the number 13 position. Virginia again reported the largest decline with 8.9 percent from 2018. NASS added Illinois to the selected states, increasing the number to 24. The selected 24 states in

total accounted for 95.3 percent of the US total in 2019, up from 95.0 percent the prior year.

Northeast Production Down

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling in the marketing area) decreased 1.8 percent in 2019. The only milkshed states reporting growth were Connecticut, Maine, New York, and Vermont. The three largest contributing states to the Northeast Order (New York, Pennsylvania, and Vermont) reported a combined drop of 1.0 percent from 2018. Milk pooled on the Northeast Order decreased 1.0 percent in 2019.

Cow Numbers and Production per Cow

Nationally, the number of milk cows fell 0.7 percent in 2019; in 2018, they decreased 0.1 percent. The number of states showing declining cow numbers totaled 35, up from 30 in 2018. Eleven states reported increases and 6 had no change. Of those with increasing cow numbers, five were in the top ten states. As in 2018, the state with the largest increase on a percentage basis was Colorado (5.7 percent).

In the Northeast milkshed states, milk cow numbers declined 2.8 percent; this follows a decline of 1.7 percent in 2018. The combined total for New York, Pennsylvania, and Vermont was down 2.0 percent from 2018. The only state in the milkshed reporting an increase was New York with a slight 0.6 percent. Connecticut and Rhode Island had no change; all others reported a decrease.

Average MPC grew 1.0 percent nationally, the same increase as in 2018. Michigan continues to lead the nation in MPC, followed by Colorado. Only fourteen states had MPC greater than the national average; eight of them are in the top ten. The only top-ten states below were Minnesota and Pennsylvania.

The Northeast states increase in MPC matched the national average (up 1.0 percent); this compares to only 0.3 percent in 2018. The U.S. average milk per cow was 23,391 pounds in 2019; the average was 22,140 pounds in the Northeast states. New York's MPC (24,118 pounds) was above the national average. ❖

Top Ten States Ranked by Milk Production, 2019

Rank	State	2018 (million pounds)	2019 (million pounds)	Percent Change	2019	
					Cows (1,000 head)	MPC* (pounds)
1	California	40,404	40,564	0.4	1,726	23,502
2	Wisconsin	30,579	30,601	0.1	1,267	24,152
3	Idaho	15,146	15,631	3.2	625	25,010
4	New York	14,882	15,122	1.6	627	24,118
5	Texas	12,860	13,850	7.7	565	24,513
6	Michigan	11,171	11,385	1.9	426	26,725
7	Pennsylvania	10,657	10,108	(5.2)	490	20,629
8	Minnesota	9,868	9,931	0.6	448	22,167
9	New Mexico	8,285	8,187	(1.2)	326	25,113
10	Washington	6,736	6,783	0.7	280	24,225
	Top Ten Total	160,588	162,162	1.0	6,780	23,918
	NASS 24 Total	206,693	208,062	0.7	8,802	23,638
	U.S. Total	217,568	218,382	0.4	9,336	23,391

Source: NASS, *Milk Production* * Milk Produced per Cow

Component Test Observations

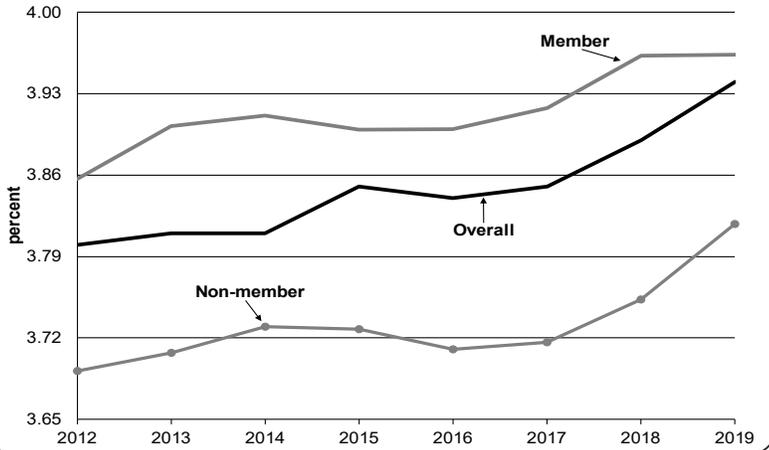
Last month's *Bulletin* compared component tests for producers from the five largest contributing states in Federal Order 1. This month's focus will be the comparison of average component tests between cooperative member and non-member producers.

Using verified payroll data for the month of October for the years 2012 to 2019, the butterfat tests for members of cooperatives increased from 3.86 percent to 3.96 percent, a 0.10 percentage point increase. Over the same period, non-members' butterfat tests increased from 3.69 to 3.82 percent, a 0.13 percentage point increase. While the gap that existed in butterfat tests between members and non-members has shrunk over the past eight years, non-members only recently have begun to close that gap with 83 percent of the increase in non-members' butterfat tests occurring over the last two years. This may partly be attributable to the decrease in the number of non-member producers during that period.

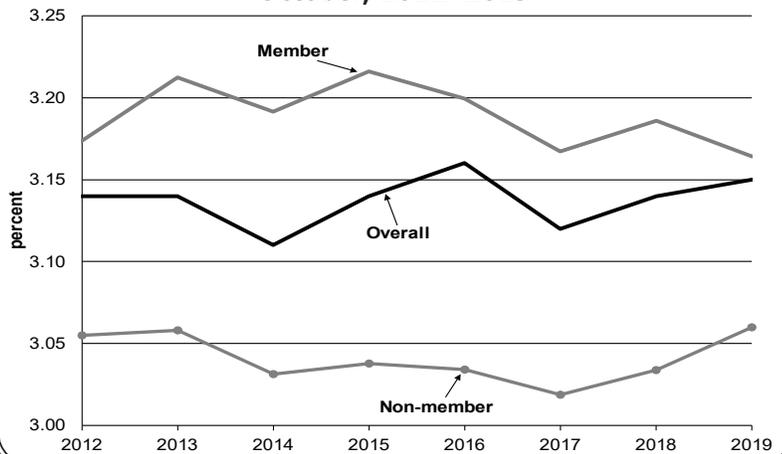
Unlike the butterfat tests, protein tests have not trended in the same direction for both members and non-members. Protein tests of cooperative members decreased by 0.01 percentage points since 2012. Conversely, non-members' average protein tests increased by 0.01 percentage points over the same period. Non-members' average protein tests decreased from 2012 to 2017 before two consecutive years of increases brought it back to pre-2012 levels. The graph of protein component tests shows convergence of the two groups, however, the overall pool average was nearly on par with the cooperative producers' component tests.

The overall pool average other solids component test had been remarkably steady over the previous

Member vs. Non-member Butterfat Test, October, 2012–2019



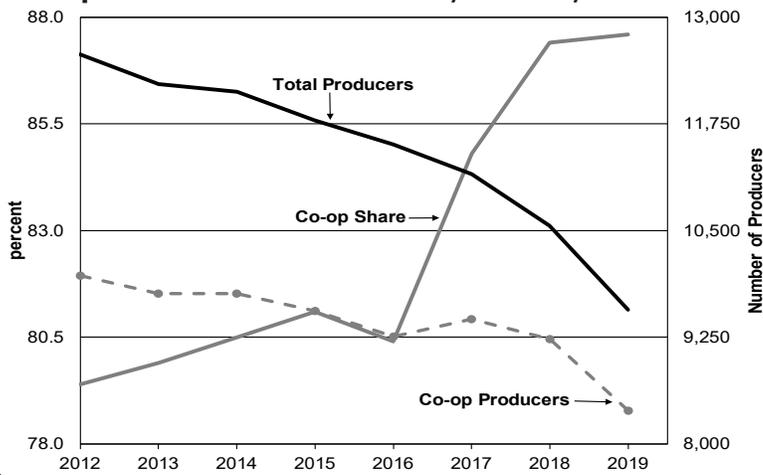
Member vs. Non-member Protein Test, October, 2012–2019



eight years, only increasing 0.02 percentage points from 5.73 to 5.75 percent. Non-members other solids tests lost 0.01 percentage points over that period, while members' tests decreased 0.02 percentage points. Similarly to the protein test, member and non-members' other solids tests have been converging since 2017, with the overall pool average very close to the cooperative's average other solids tests.

From October 2012 to October 2019, the number of producers belonging to a cooperative dropped from 9,973 to 8,388 (15.9 percent). Despite this, the share of pooled producers that are a member of a cooperative has risen over the same time period, from 79.4 percent in 2012 to 87.6 percent in 2019. This change is a combination of the overall decrease in producers pooled on the Order and the higher rate of decline in independent producers compared to cooperative producers. This results in the overall pool average component tests moving increasingly closer to the cooperative producers' average component test. ❖

Cooperative Share of Producers, October, 2012–2019



RETURN SERVICE REQUESTED

FIRST CLASS MAIL

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, political beliefs, genetic information, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Stop 9410, Washington, DC 20250-9410 or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.

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	634,600,619	\$13.71	87,003,744.86	
Butterfat	14,403,156	2.1634	31,159,787.69	
Less: Location Adjustment to Handlers			(2,602,241.67)	\$115,561,290.89
Class II— Butterfat	31,105,068	1.9883	61,846,206.73	
Nonfat Solids	49,645,987	1.1378	56,487,203.99	118,333,410.72
Class III— Butterfat	26,296,441	1.9813	52,101,138.53	
Protein	17,710,444	3.0309	53,678,584.73	
Other Solids	32,441,770	0.1750	5,677,309.87	111,457,033.13
Class IV— Butterfat	14,955,326	1.9813	29,630,987.39	
Nonfat Solids	35,798,715	1.0667	38,186,489.32	67,817,476.71
Total Classified Value				\$413,169,211.45
Add: Overage—All Classes				272,739.97
Inventory Reclassification—All Classes				(20,912.17)
Other Source Receipts	166,271			5,020.62
Total Pool Value				\$413,426,059.87
Less: Value of Producer Butterfat	86,759,991	1.9813	(171,897,570.21)	
Value of Producer Protein	68,493,009	3.0309	(207,595,460.96)	
Value of Producer Other Solids	125,988,612	0.1750	(22,048,007.33)	(401,541,038.50)
Total PPD Value Before Adjustments				\$11,885,021.37
Add: Location Adjustment to Producers				12,648,280.69
One-half Unobligated Balance—Producer Settlement Fund				880,795.44
Less: Producer Settlement Fund—Reserve				(1,017,278.52)
Total Pool Milk & PPD Value	2,178,287,415	Producer pounds		\$24,396,818.98
Producer Price Differential		\$1.12		
Statistical Uniform Price		\$18.12		

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