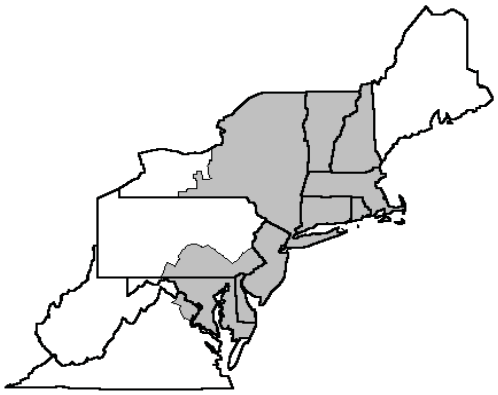

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Shawn M. Boockoff, Market Administrator

April 2020 Federal Order No. 1

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April Pool Price Calculation

The April 2020 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $14.92 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 $15.82 per hundredweight. The April statistical uniform price was $2.82 per hundredweight below the March price. The April producer price differential (PPD) at Suffolk County was $1.85 per hundredweight, an increase of 36 cents from the previous month.

Product Prices Effect

The sharp declines caused by the COVID-19 crisis that occurred in March for commodities traded on the Chicago Mercantile Exchange were reflected in April's National Dairy Product Sales Report, the prices used in federal order prices. All product prices fell significantly except for dry whey that declined less than 1 cent per pound. The butter price dropped 49 cents, cheese fell 31 cents, and nonfat dry milk decreased 16 cents, all on a per pound basis. These changes resulted in per-pound decreases of 60 cents in the butterfat price, 36 cents in the protein price, and 16 cents in the nonfat solids price. The other solids price declined less than 1 cent per pound.

All class prices were below the previous month's. The Class I price decreased 82 cents, Class II declined $2.88, Class III fell $3.18, and Class IV dropped $3.47, all on a per hundredweight basis. The lower overall prices, combined with higher utilization in the lower-priced classes, translated to a lower SUP but the spread between the highest class price and the Class III price widened, resulting in a higher PPD.

Selected Statistics

Average daily deliveries per producer set a new record high for the Order. The total pooled volume was the second highest ever for the month of April. The Class II volume was the smallest for the month of April since 2010. Class IV volume set a new Order record high. The average producer tests for all components (butterfat, protein, and other solids) set new record highs for the month of April.❖

Pool Summary

- A total of 9,322 producers were pooled under the Order with an average daily delivery per producer of 8,258 pounds.
- Pooled milk receipts totaled 2.309 billion pounds, an increase of 0.9 percent from last month on an average daily basis.
- Class I usage accounted for 29.8 percent of total milk receipts, a decrease of 1.1 percentage points from March.
- The average butterfat test of producer receipts was 3.94 percent.
- The average true protein test of producer receipts was 3.11 percent.
- The average other solids test of producer receipts was 5.78 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	29.8	688,684,173
Class II	20.3	468,696,894
Class III	24.1	555,436,513
Class IV	25.8	596,678,257
Total Pooled Milk		2,309,495,837

Producer Component Prices

	2020	2019
	$/lb	
Protein Price	2.4822	1.9890
Butterfat Price	1.3218	2.5375
Other Solids Price	0.1793	0.1990

Class Prices

	2020	2019
	$/cwt	
Class I	19.89	19.01
Class II	13.87	16.38
Class III	13.07	15.96
Class IV	11.40	15.72

Manufactured Dairy Products—2019 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2019 Summary.* This publication summarizes dairy products manufactured in the United States. The accompanying table compares selected products' changes to 2019 from 2018 and 2014, for both the U.S. and for milk used in the Northeast Order.

Change in Selected Manufactured Dairy Products, 2019

	Total US Production of Manufactured Products		Total Northeast Order Milk Used to Manufacture#	
	2019 from:			
	2014	2018	2014	2018
	(percent change)			
Cheese				
American^	14.0	(0.4)	5.9	(0.9)
Italian+	14.6	1.8	9.0	(0.3)
Cream and Neufchatel	9.8	2.2	3.5	(3.6)
Other*	15.8	0.0	21.3	(5.2)
Total Cheese(excludes cottage)	14.1	0.8	8.1	(1.3)
Butter	7.5	1.3	19.1	(3.2)
NFDM~	4.9	4.1	25.4	4.4
Yogurt	(8.0)	(1.7)	18.4	3.8

Source: USDA, NASS - Dairy Products 2019 Summary; Northeast Order pool report data.
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.

Cheese Production

Nationally, total cheese production (excluding cottage cheese) grew 0.8 percent from 2018. The largest increases were seen in Cream (and Neufchatel) and Italian; American cheese declined 0.4 percent while Swiss and other cheeses showed no change from the previous year. Within the other cheese category, Hispanic (which has the highest volume in this category) reported the most growth with an increase of 6.8 percent, followed by Muenster with 3.0 percent; Gouda had the largest decline falling 25.5 percent, followed by brick that dropped 11.5 percent. Other cheeses in this category include Swiss, feta, blue/gorgonzola, and other varieties. Within total Italian cheese, ricotta declined 1.0 percent.

When compared to five years earlier, total cheese is up 14.1 percent. American and Italian rose 14.0 and 14.6 percent, respectively. Swiss and other cheeses grew 15.8 percent while cream cheese increased 9.8 percent. Within the other types, Hispanic cheese rose 33.4 percent from 2014.

In the Northeast, milk used in making cheese decreased 1.3 percent from 2018 to 2019. By category, milk used in Swiss (and other cheeses) dropped 5.2 percent, cream cheese fell 3.6 percent, American cheese declined 0.9 percent, and Italian cheese was down 0.3 percent (this figure includes ricotta that decreased 3.1 percent). Compared to 2014, milk used in cheese rose 8.1 percent with the largest increase reported by the Swiss and other category that rose 21.3 percent.

Other Products

U.S. butter production increased 1.3 percent from 2018 to 2019; compared to 2014, it is up 7.5 percent. Nonfat dry milk (NFDM) rose 4.1 percent from the previous year and 4.9 percent from 2014. Yogurt declined 1.7 from the previous year and 8.0 percent from 5 years ago. Ice cream (not shown in table) increased 1.1 percent from 2018, but was down 0.5 percent from 2014.

In the Northeast, milk used in butter dropped 3.2 percent from 2018, but grew 19.1 percent from 2014. Milk utilized in yogurt increased 3.8 percent from the previous year and 18.4 percent from 5 years ago. Milk used in the production of dry milk products (mostly nonfat, but does include some whole milk powder) rose 4.4 percent from 2018; compared to 2014, it grew 25.4 percent. Milk utilized in ice cream declined 14.0 percent from the previous year and 16.2 percent from 5 years ago.

Leading States

The top five cheese-producing states continued to be Wisconsin, California, Idaho, New Mexico, and New York. Pennsylvania ranked number seven and Vermont was number 12. Wisconsin remained the number one producer of both American and Italian cheese. California continued to lead in butter, ice cream, and nonfat dry milk. New York remained the largest producer of yogurt and cottage cheese (low fat and creamed); it was number two in sour cream. Pennsylvania ranked number two in nonfat dry milk and ice cream. State rankings were not available for many products due to having fewer than 3 handlers reporting.

Percent of Total Milk Production

Of U.S. total milk production, 78.8 percent was used in manufactured products (21.2 percent sold for fluid use) in 2019, up from 78.4 percent in 2018 and 75.7 percent in 2014.

In the Northeast Order, the total amount of pooled milk utilized in manufactured products equaled 68.9 percent in 2019; this compares to 67.6 in 2018 and 64.4 in 2014.

Number of Plants

The total number of plants equaled 1,266 in 2019, down from 1,275 in 2018. Wisconsin led with 199, followed by New York with 123, and California with 114.❖

USDA Coronavirus Food Assistance Programs and Initiatives

On April 17, 2020, USDA announced the Coronavirus Food Assistance Program (CFAP), developed in response to the COVID-19 national emergency. This $19 billion program intends to provide support to farmers and ranchers, maintain the integrity of the food supply chain, and ensure that Americans continue to receive and have access to the food they need. Funding and authority is provided in the Coronavirus Aid, Relief, and Economic Security Act (CARES), the Families First Coronavirus Response Act (FFCRA), and other USDA existing authorities. The FFCRA and CARES provided at least $850 million for food bank administrative costs and USDA food purchases of which a minimum of $600 million will be designated for food purchases. CFAP information can be found at farmers.gov/CFAP.

CFAP Elements

CFAP will provide $16 billion in direct support based on actual losses for agricultural producers where prices and market supply chains have been impacted and will assist producers with additional adjustment and marketing costs resulting from lost demand and short-term oversupply for the 2020 marketing year caused by COVID-19. Beginning May 26, USDA's Farm Service Agency will be accepting applications from agricultural producers who have suffered losses. The application form and a payment calculator for producers will be available online once signup begins.

USDA will partner with regional and local distributors, whose workforce has been significantly impacted by the closure of restaurants, hotels, and other food service entities, to purchase $3 billion in fresh produce, dairy, and meat. On May 8, USDA approved $1.2 billion in contracts through the Farmers to Families Food Box Program; $317 million will be used to purchase a variety of dairy products. The dairy products, fruits, vegetables and meat products are packaged into family-sized boxes and transported to food banks and other non-profits to be distributed from May 15 through June 30. The program period may be extended dependent on its success and available funding, up to $3 billion.

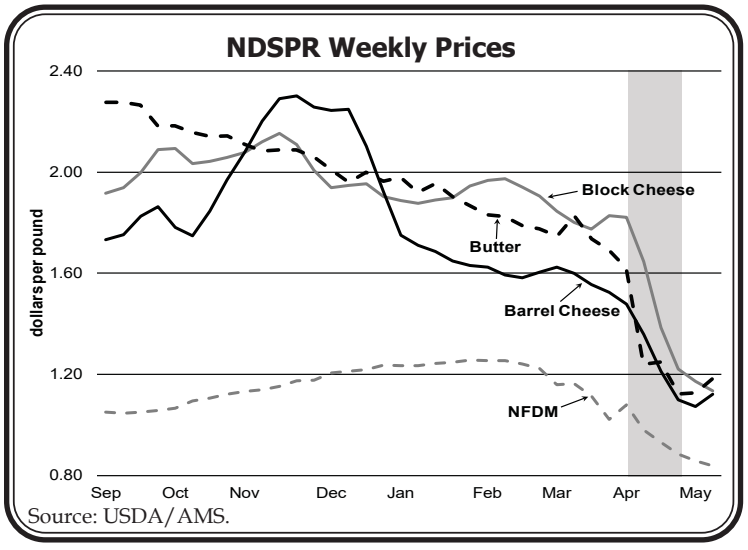
Other Initiatives

USDA has up to an additional $873.3 million available in Section 32 funding to purchase a variety of agricultural products for distribution to food banks. On May 4, USDA announced $470 in Section 32 purchases will occur in the third quarter of fiscal year 2020. The amount allocated for dairy products equals $120 million.

On May 8, USDA announced it will waive certain documentation requirements in the commodity specifications for fluid milk and milk products eligible for the Milk Donation Reimbursement Program. USDA extended the application period through October 31, 2020; the previous deadline was May 1, 2020. Once approved, applicants can file their reimbursement claims for FY 2019 and 2020 donations until December 31, 2020. Details are available at www.ams.usda.gov/mrdp.❖

COVID-19 Related Impacts to Dairy Product Prices

Agricultural Marketing Service National Dairy Product Sales Report (NDPSR) prices of cheddar cheese, butter, nonfat dry milk, and dry whey are the inputs to federal milk market order class and component prices. The accompanying chart presents weekly prices through May 9 for selected products. Response to the COVID-19 pandemic has resulted in shocks to demand and supply chains that are impacting these inputs to federal order prices. The chart, updated from last month's *Bulletin*, shows the current extent of price declines resulting from demand impacts at food service and export channels, and demand bottlenecks as the industry is challenged by a sudden switch from these demand channels to retail for food at home consumption. More recently, there have been some reports of increased activity in the food service sector.



Source: USDA/AMS.

The April Statistical Uniform Price (SUP) reflected NDPSR prices for weeks ending April 4 through April 25. The shaded area on the chart highlights the prices during this period. To the right of this depicts the prices during the first two weeks of May.

NDPSR tends to lag Chicago Mercantile Exchange (CME) prices by approximately 2 weeks. Looking at average CME prices for the week ending May 15, block and barrel cheese averaged $1.60 and $1.52 per pound, respectively. The butter price averaged $1.50 per pound, and nonfat dry milk was $0.89 per pound. This would indicate an upside in NDPSR prices moving forward, and thus, the SUP.❖

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Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	672,490,799	$13.44	90,382,763.39	
Butterfat	16,193,374	1.9764	32,004,584.37	
Less: Location Adjustment to Handlers			(2,790,015.60)	$119,597,332.16
Class II— Butterfat	24,811,787	1.3288	32,969,902.59	
Nonfat Solids	41,086,770	1.0611	43,597,171.64	76,567,074.23
Class III— Butterfat	24,143,221	1.3218	31,912,509.54	
Protein	17,277,177	2.4822	42,885,408.72	
Other Solids	31,996,685	0.1793	5,737,005.62	80,534,923.88
Class IV— Butterfat	25,871,083	1.3218	34,196,397.50	
Nonfat Solids	52,906,460	0.7795	41,240,585.57	75,436,983.07
Total Classified Value				**$352,136,313.34**
Add: Overage—All Classes				44,213.65
Inventory Reclassification—All Classes				(231,449.02)
Other Source Receipts	158,015 Pounds			7,620.37
Total Pool Value				**$351,956,698.34**
Less: Value of Producer Butterfat	91,019,465	1.3218	(120,309,528.83)	
Value of Producer Protein	71,819,235	2.4822	(178,269,705.17)	
Value of Producer Other Solids	133,579,101	0.1793	(23,950,732.80)	(322,529,966.80)
Total PPD Value Before Adjustments				**$29,426,731.54**
Add: Location Adjustment to Producers				13,582,503.16
One-half Unobligated Balance—Producer Settlement Fund				830,240.22
Less: Producer Settlement Fund—Reserve				(1,110,878.60)
Total Pool Milk & PPD Value	2,309,653,852 Producer pounds			**$42,728,596.32**
Producer Price Differential		**$1.85**		
Statistical Uniform Price		**$14.92**		

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