

The Market Administrator's

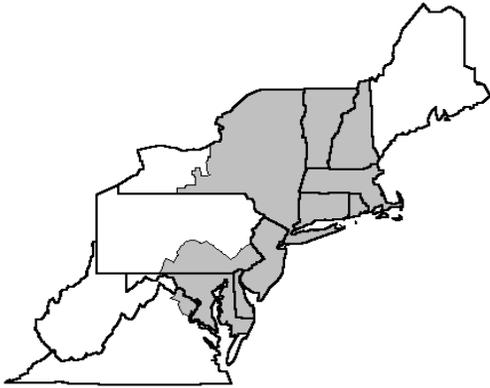
BULLETIN

NORTHEAST MARKETING AREA

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May 2020

Federal Order No. 1



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May Pool Price Calculation

The May 2020 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$13.47 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 \$14.18 per hundredweight. The May statistical uniform price was \$1.45 per hundredweight below the April price. The May producer price differential (PPD) at Suffolk County was \$1.33 per hundredweight, a decrease of 52 cents from the previous month.

Product Prices Effect

The downward effects on prices that occurred in March and April from the COVID-19 crisis began to turn around in late May. National Dairy Product Sales Report prices for butter and dry whey increased 4 cents and 1 cent, respectively, per pound from April. Cheese prices averaged 10 cents below the previous month while nonfat dry milk declined 11 cents. June commodity prices are expected to reflect significant increases especially in butter and cheese. The commodity price changes resulted in per-pound increases of 5 cents in the butterfat price and 1 cent in the other solids price. The protein price dropped 39 cents and the nonfat solids price fell 10 cents, all on a per-pound basis.

Similar to last month, all class prices were below April's. The Class I price dropped \$3.69, Class II declined \$1.57, Class III fell 93 cents, and Class IV decreased 73 cents, all on a per-hundredweight basis. The lower overall prices, combined with higher utilization in the lower-priced classes, translated to a lower SUP. The spread between the highest class price and the Class III price tightened, resulting in a lower PPD.

Selected Statistics

Average daily deliveries per producer set a new record high for the month of May. Class IV volume also set a new record high for the month. The average producer tests for all components (butterfat, protein, and other solids) set new record highs for the month of May. ❖

Pool Summary

- A total of 9,165 producers were pooled under the Order with an average daily delivery per producer of 8,126 pounds.
- Pooled milk receipts totaled 2.309 billion pounds, unchanged from April, but a decrease of 3.3 percent on an average daily basis.
- Class I usage accounted for 29.8 percent of total milk receipts, unchanged from April.
- The average butterfat test of producer receipts was 3.88 percent.
- The average true protein test of producer receipts was 3.07 percent.
- The average other solids test of producer receipts was 5.79 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	29.8	686,780,528
Class II	20.5	473,988,421
Class III	27.1	625,431,457
Class IV	22.6	522,514,578
Total Pooled Milk		2,308,714,984

Producer Component Prices

	2020	2019
	\$/lb	
Protein Price	2.0918	2.1159
Butterfat Price	1.3756	2.5718
Other Solids Price	0.1882	0.1847

Class Prices

	2020	2019
	\$/cwt	
Class I	16.20	19.67
Class II	12.30	16.48
Class III	12.14	16.38
Class IV	10.67	16.29

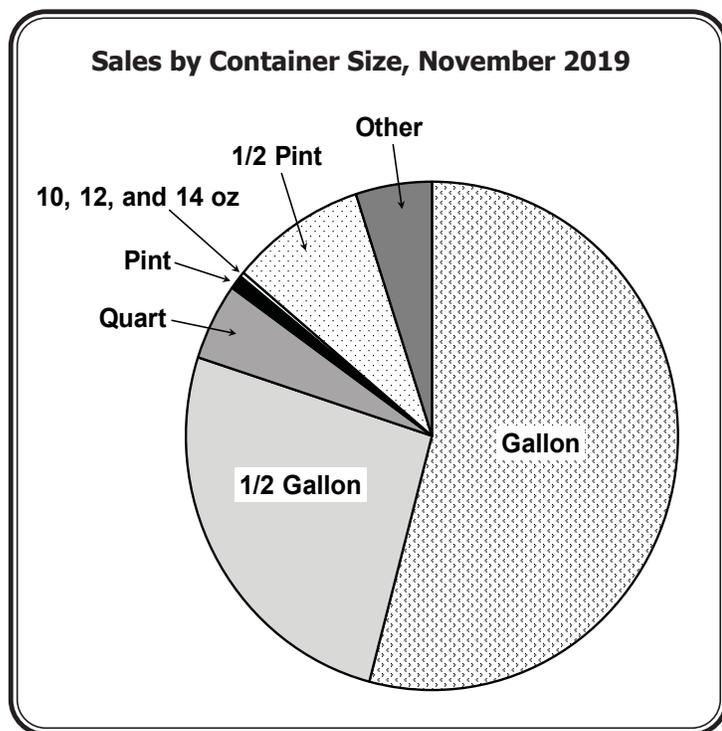
Fluid Milk Container Sales Survey

The 2019 container sales survey of Class I handlers regulated under the Northeast Order was recently completed. This survey is conducted biennially and records sales of fluid milk products by various package types and sizes for the month of November. The survey collects sales data from handlers (fully and partially regulated, exempt, and producer-handlers) under the Northeast Order that have sales of packaged fluid milk within the defined geographic region of the Northeast Milk Marketing Area. Sales reported by these handlers include those in the Marketing Area, along with sales to unregulated areas and other federal order areas. Data from responding handlers accounted for 93 percent of sales reported on pool reports; in 2017, survey responses accounted for 99 percent of total sales.

Started in 1964, the survey was conducted annually through 1967 and biennially since. Its purpose is to reflect bottling changes in the industry from various containers such as glass to paper and plastic, and from various sizes such as quarts to gallons and in later years, round single serve plastic containers. More recent surveys added organic products, extended shelf life (ultra and aseptic pasteurized), and additional categories in methods of distribution.

Container Size and Type

Packaged sales reported on the survey by handlers in the Northeast continue their decline and totaled 694 million pounds in November 2019, down from 772 million pounds in November 2017. This decrease is greater than in past years, mainly due to the lower survey response rate.



November Container Sales Survey

Method of Distribution*	2017	2019
	Percent	
Supermarket chains	36.0	37.5
Mass merchandisers	9.0	10.0
Club stores	6.9	6.3
Convenience stores	8.7	7.8
Drug stores	1.0	0.8
Schools	4.1	4.9
Institutions	1.8	1.8
Wholesale distributors	25.0	22.5
Home delivery routes	0.1	0.1
Other	7.4	8.3
Total	100.0	100.0

* Sales of packaged fluid milk products from regulated handlers in the Northeast Marketing Area, unregulated areas, and other federal order areas. "Internet ordered home delivery" accounted for less than 0.1 percent.

There was little change in the proportion sold by container size. Gallons still accounted for over half of all milk sold in the Northeast at 54.1 percent (see accompanying chart). They were followed by half gallons at 25.9 percent and quarts at 4.9 percent. Half pints were up from 8.6 to 8.9 percent. The round plastic 10, 12, and 14 ounce containers proportion declined from 0.5 percent in 2015 and 2017, to 0.3 percent.

Changes in proportions of type of container also were reported. Glass usage declined from 0.3 percent in 2017 to 0.2 percent in 2019. Paper had risen to 22.5 percent in 2017, but declined to 17.8 in 2019, while the plastic proportion increased to 82.1 percent (up from 77.2 percent in 2017). Some of these proportions may have been affected by the lower reporting rate.

Product Type

Whole milk (unflavored, conventional and organic) continued to hold the largest market share with 41.0 percent, up from 37.7 percent in 2017. Sales of reduced fat (2%), low fat (1%), and fat free (skim) accounted for a combined total of 50.2 percent, a decline from the last survey (53.0 percent in 2017). Flavored milk and drinks (lower fat flavored milk) had 6.6 percent of all sales, nearly the same as in 2017. Buttermilk was unchanged at 0.5 percent; eggnog decreased to 1.7 percent (from 2.3 percent in 2017).

Conventional milk accounted for 88.8 of all survey sales reported. Organic milk (includes regular and flavored, whole and lower fat varieties) declined to (continued on page 3)

Fluid Milk (continued from page 2)

5.8 percent of all sales, down from 6.3 during the last survey. Within the organic category, 47.2 percent was whole milk, the remaining 52.8 percent was lower fat products.

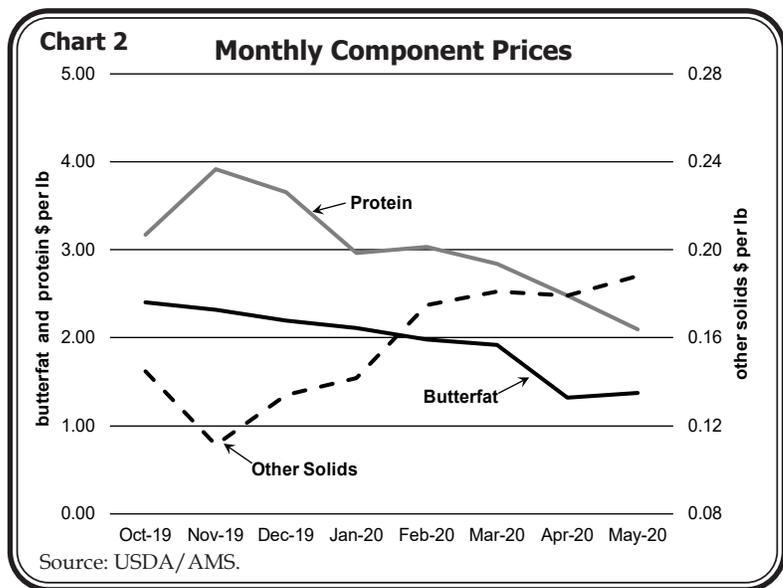
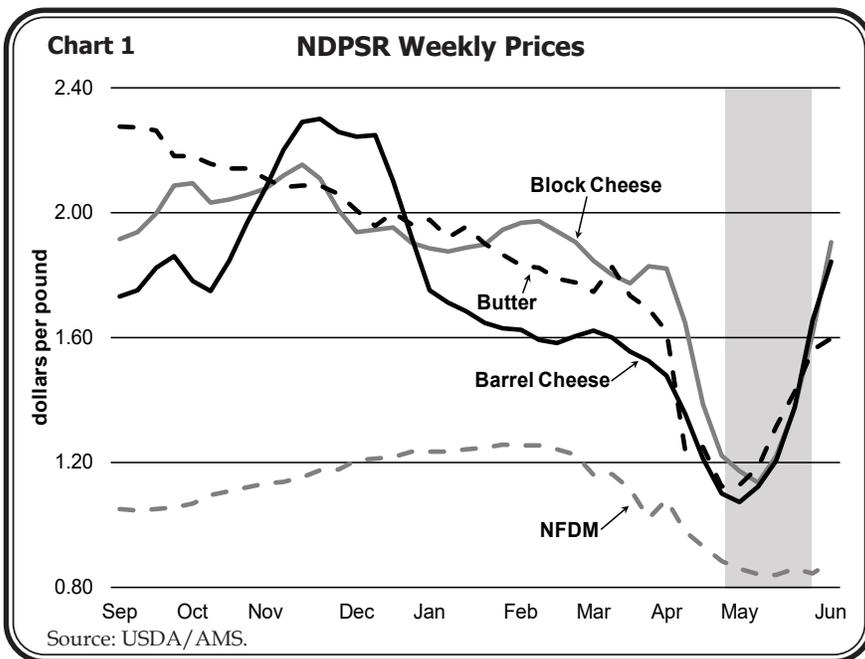
Extended shelf life (ESL) products accounted for 5.4 of total sales reported, down from 11.2 percent in 2017 (again, this change may be due to the lower reporting rate). Within product categories, they accounted for 3.9 percent of whole milk, 4.5 percent of reduced fat, 4.0 percent of low fat, 8.9 percent of fat free, and 7.7 percent of flavored milk. ESL products predominantly are sold in paper half gallons, followed by plastic gallons and paper quarts.

Method of Distribution

Internet Ordered Home Delivery was added as a category to the Methods of Distribution section in the last survey. Once again, the total was too small to register any percentage. Supermarket sales accounted for the largest volume at 37.5 percent (see table on page 2). Wholesale distributors were second, followed by mass merchandisers (Wal-Mart, Target, etc.). Club stores (Costco, Sam's Club, BJ's Wholesale, etc.) dropped to 6.3 percent compared to 6.9 percent in 2017. Convenience stores (not drug stores) accounted for nearly 10 times the volume of drug stores (CVS, Rite Aid, Walgreens, etc.). School sales were up from the previous survey. ❖

Current Market Dynamics Resulting in Price Rebound

Considering the rapid changes to market demand, supply, and prices, in response to the COVID-19 pandemic, this article offers an updated look at how product prices have been affected. 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. Chart 1 presents these weekly prices for selected products that established federal order minimum prices. Chart 2 shows the monthly component prices derived from the weekly prices. June 6 NDPSR prices also are included. Response to the COVID-19 pandemic has resulted in shocks to demand and supply chains that have impacted these inputs to federal order prices. Chart 1, updated from the previous two months' *Bulletins*, shows the extent of price declines resulting from the shock to the industry,



followed by evidence of recent price recovery. Increased activity in the food service sector has helped move prices up (particularly for cheese and butter) as pipelines are refilled and restaurants slowly reopen.

The May Statistical Uniform Price (SUP) reflected NDPSR prices for weeks ending May 2 through May 30. The shaded area on the chart highlights the prices during this period. To the right of this depicts the prices during the first week in June.

NDPSR tends to lag Chicago Mercantile Exchange (CME) prices by approximately 2 weeks. Looking at average CME prices for the week ending June 12, block and barrel cheese averaged \$2.55 and \$2.37 per pound, respectively. The butter price averaged \$1.91 per pound, and nonfat dry milk was \$0.98 per pound. This would indicate relatively strong upside in NDPSR prices moving forward, and thus, the SUP, in the near term. ❖

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	670,674,596	\$11.97	80,279,749.14	
Butterfat	16,105,932	1.3273	21,377,403.54	
Less: Location Adjustment to Handlers			(2,802,190.80)	\$98,854,961.88
Class II— Butterfat	30,407,026	1.3826	42,040,754.19	
Nonfat Solids	40,825,402	0.8589	35,064,937.78	77,105,691.97
Class III— Butterfat	26,651,790	1.3756	36,662,202.29	
Protein	19,166,574	2.0918	40,092,639.46	
Other Solids	36,048,206	0.1882	6,784,272.39	83,539,114.14
Class IV— Butterfat	16,512,877	1.3756	22,715,113.58	
Nonfat Solids	46,664,498	0.6746	31,479,870.36	54,194,983.94
Total Classified Value				\$313,694,751.93
Add: Overage—All Classes				37,564.74
Inventory Reclassification—All Classes				170,812.91
Other Source Receipts	39,939 Pounds			1,638.49
Total Pool Value				\$313,904,768.07
Less: Value of Producer Butterfat	89,677,625	1.3756	(123,360,540.96)	
Value of Producer Protein	70,877,236	2.0918	(148,261,002.28)	
Value of Producer Other Solids	133,559,176	0.1882	(25,135,836.95)	(296,757,380.19)
Total PPD Value Before Adjustments				\$17,147,387.88
Add: Location Adjustment to Producers				13,508,806.70
One-half Unobligated Balance—Producer Settlement Fund				981,452.80
Less: Producer Settlement Fund—Reserve				(931,206.98)
Total Pool Milk & PPD Value	2,308,754,923 Producer pounds			\$30,706,440.40
Producer Price Differential		\$1.33		
Statistical Uniform Price		\$13.47		

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