



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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September 2020

Federal Order No. 1

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September Pool Price Calculation

The September 2020 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.80 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 \$17.83 per hundredweight. The September statistical uniform price was \$1.22 per hundredweight below the August price. The September producer price differential (PPD) at Suffolk County was \$0.37 per hundredweight, an increase of \$2.12 from the previous month.

Product Prices Effect

All commodity prices used in federal order pricing decreased during September except nonfat dry milk. National Dairy Product Sales Report prices decreased 3 cents for butter, 1 cent for dry whey, and 34 cents for cheese, all on a per-pound basis. The cheese drop was the result of the weighted average drop of the blocks (26 cents) and the barrels (41 cents). The nonfat dry milk price rose 4 cents per pound.

The commodity price changes resulted in per-pound decreases of 3 cents in the butterfat price and 1 cent in the other solids price. The large decline in the cheese prices resulted in a \$1.05 per-pound drop in the protein price. Corresponding to the increase in the nonfat dry milk price, the nonfat solids price rose 4 cents per pound.

All class prices decreased from the previous month except the Class IV price that increased 22 cents. The Class I price dropped \$1.34; Class II declined 11 cents; and Class III, largely based on cheese prices, fell \$3.34, all on a per-hundredweight basis. The overall lower prices resulted in a lower SUP, and with the Class I price as the highest class price, the PPD increased. Even though the PPD was positive at the base zone (Boston, MA), it was relatively small and producers shipping to plants in the \$2.80 and further zones received a negative PPD.

Selected Statistics

Average daily deliveries per producer set a new record high for the month of September. Both Class III and IV volumes were the highest ever for the month. The average producer tests for all components (butterfat, protein, and other solids) set new record highs for the month of September. ❖

Pool Summary

- A total of 9,067 producers were pooled under the Order with an average daily delivery per producer of 7,969 pounds.
- Pooled milk receipts totaled 2.168 billion pounds, a decrease of 0.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.2 percent of total milk receipts, up 1.6 percentage points from August.
- The average butterfat test of producer receipts was 3.88 percent.
- The average true protein test of producer receipts was 3.11 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	30.2	655,266,739
Class II	25.6	554,545,529
Class III	27.9	603,917,459
Class IV	16.3	354,018,419
Total Pooled Milk		2,167,748,146

Producer Component Prices

	2020	2019
	\$/lb	
Protein Price	3.3935	2.8633
Butterfat Price	1.5932	2.4982
Other Solids Price	0.1241	0.1758

Class Prices

	2020	2019
	\$/cwt	
Class I	21.69	21.10
Class II	13.16	16.93
Class III	16.43	18.31
Class IV	12.75	16.35

Year-to-Date Changes in Sales and Utilization

For the January through September 2020 period, producer milk pooled on the Northeast Order was about 1 percent below the same period in 2019. Producer milk is combined with plant inventories and bulk and packaged transfers from other plants to arrive at the volume available for use, or utilization, at a plant. Under the Order, milk is classified into four classes. The accompanying table shows changes in utilization by class and highlights selected product changes for the January-September period for 2020 compared to 2019, 2018, and 2015. All percentage changes have been adjusted for leap year in 2020.

Class I

Class I utilization was down 1.3 percent for the first 3 quarters of 2020 compared to the same period in 2019. Compared to the same period in 2018 and 2015, the decline was even greater. All fluid products have declined in sales except whole milk and reduced fat milk. Whole milk sales were higher compared to all periods shown, while reduced fat milk sales were up compared to 2019. Organic milk (whole and lower fat products) have shown declines compared to all periods. Flavored milk and drinks (lower fat flavored products) are down from all periods shown. Some of these changes may be the result of changes in buying habits during the Covid pandemic.

Class II

For the same period, Class II utilization rose a slight 0.2 percent compared to 2019, but was down 1.5 percent from 2018, and up 1.4 percent from 2015. Milk used in cottage cheese increased considerably from all periods shown. Yogurt also rose compared to the periods highlighted. The frozen desserts category (mainly ice cream) declined during all periods but the decline was less compared to 2019 than compared to 2018 and 2015.

Class III

As shown in the table, Class III utilization declined 2.6 percent from 2019 and 3.3 percent from 2018 for the 9-month period; it was up 14.3 percent from 2015. Milk

Utilization Comparison of Selected Products, Northeast Order, January–September

	Percent change to 2020 from [^] :		
	2015	2018	2019
Class I Milk			
Whole Milk	9.8	2.5	2.8
Reduced Fat Milk	(7.4)	(0.9)	3.5
Lowfat Milk	(26.7)	(10.9)	(3.3)
FatFree	(46.9)	(24.7)	(15.5)
Flavored Milk and Drinks	(27.0)	(24.9)	(24.3)
Organic Whole and Lower Fat Milk	(16.2)	(22.8)	(10.9)
Total Class I Utilization*	(9.3)	(6.7)	(1.3)
Class II Milk			
Cottage Cheese	16.8	25.3	18.6
Yogurt and Eggnog	21.9	10.2	6.8
Ice Cream, Desserts, Condensed, and Mixes	(21.3)	(15.5)	(3.4)
Total Class II Utilization*	1.4	(1.5)	0.2
Class III Milk			
American-Type Cheeses	5.1	(5.3)	(3.5)
Cream Cheese	11.7	(1.0)	3.7
Italian-Type Cheeses	23.3	0.0	0.2
Swiss and Other-Type Cheeses	7.9	(8.7)	(2.2)
Total Class III Utilization*	14.3	(3.3)	(2.6)
Class IV Milk			
Condensed Products	50.2	36.3	21.9
Butter	16.3	(1.8)	5.1
Dried Milk Products	1.9	(1.9)	(3.3)
Total Class IV Utilization*	3.6	0.1	(0.7)
Minimum Price Class Utilization#	135.8	30.7	71.3
Total Utilization~	1.5	(3.0)	(0.8)

[^] Adjusted for leap year.

* Includes products not shown.

As defined in section 1000.40 of the Order.

~ Includes sales to nonpool manufacturing plants.

used in American cheese and the other cheeses category (Swiss and other types) was down compared to the past 2 years, but up from 2015. Cream cheese was up for the period compared to 2019, down slightly from 2018, but considerably higher than in 2015. Italian cheese has been fairly constant compared to the past 2 years but up significantly from 2015.

Class IV

Overall Class IV usage was down 0.7 percent for January-September 2020. Milk used in making dried milk products was down from both 2019 and 2018, but up from 2015. Butter rose during 2020, an increase of 5.1 percent from 2019; it was down 1.8 percent from 2018, but 16.3 percent higher than in 2015. Condensed products were significantly higher in 2020 than during all of the selected periods.

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Dairy Margin Coverage Program Enrollment for 2021

USDA is now enrolling dairy farmers for the 2021 Dairy Margin Coverage program year. The enrollment period runs through December 11, 2020. To determine the appropriate level of coverage for a specific dairy operation, producers can utilize the recently updated online dairy decision tool. More information can be found at <https://www.fsa.usda.gov/programs-and-services/dairy-margin-coverage-program/index> or producers can contact their local USDA Service Center. To locate the nearest FSA office, visit <https://www.farmers.gov/service-center-locator>. All visitors should call ahead and schedule an appointment; certain guidelines apply.

The Dairy Margin Coverage (DMC) program is a voluntary risk management program for dairy producers. DMC continues to offer protection to dairy producers when the difference between the all milk price and the average feed price (the margin) falls below a certain dollar amount selected by the producer. DMC payments triggered for 7 months in 2019 and 3 months so far in 2020.

The program provides:

- catastrophic coverage, at no cost to the producer, other than an annual \$100 administrative fee that is waived in some cases; and
- various levels of buy-up coverage.

To participate in DMC, dairy producers:

- Select a coverage level ranging from \$4.00 to \$9.50 per cwt, in \$0.50 increments
- Select a coverage percentage of the dairy operation's production history ranging from 5 percent to 95 percent, in 5 percent increments
- Producers have the choice to lock in coverage levels until 2023 and receive a 25 percent discount on their DMC premiums.

In addition to DMC, USDA offers a variety of programs

that have helped dairy producers including insurance, disaster assistance, and conservation programs. Most recently, the Coronavirus Food Assistance Program 1 provided \$1.75 billion in direct relief to dairy producers who faced price declines and additional marketing costs due to COVID-19 in early 2020. Signup is now underway for the Coronavirus Food Assistance Program 2, which provides another round of assistance for dairy and many other eligible producers. ❖

Year-to-Date (continued from page 2)

Minimum Price Class

Milk assigned to the minimum priced class increased 71.3 percent in 2020 over 2019 as allowable milk dumps set a record high level in April. Compared to 2018 and 2015, it also was up substantially. This category includes milk used for animal feed, dumped or lost due to various reasons, and other uses as defined in section 1000.40 of the Order.

Covid Impact

During the initial impact of the Covid-19 pandemic (March-May 2020), overall utilization was largely unchanged from 2019 for the 3-month period. Changes did occur in milk utilized in specific products. For example, whole and reduced fat milk were up 6.4 percent and 8.0 percent, respectively, during the March-May 2020 period while flavored milk and drinks were down 41.6 percent as school sales dropped off due to closures. Overall Class I utilization was up a slight 0.1 percent, while Classes II, III, and IV were down 3.5, 1.3, and 1.5 percent, respectively. Minimum price class utilization was over 3 times the normal rate as some milk struggled to find a plant due to supply chain challenges, reduced operation capacity, and closures. ❖

Pool Summary for All Federal Orders, January–September, 2019–2020

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#	
Number	Name	2019	2020*	Change^	2019	2020	2019	2020
		pounds			dollars per hundredweight			
1	Northeast	20,203,319,049	20,092,823,779	(0.9)	1.70	(0.52)	17.80	16.95
5	Appalachian	4,038,979,952	3,959,667,116	(2.3)	N/A	N/A	19.00	18.59
6	Florida	1,891,846,613	1,864,301,934	(1.8)	N/A	N/A	21.05	20.61
7	Southeast	3,790,019,212	3,529,063,412	(7.2)	N/A	N/A	19.38	18.69
30	Upper Midwest	26,934,662,845	16,753,958,897	(38.0)	0.19	(1.14)	16.29	16.34
32	Central	12,411,743,323	10,481,383,302	(15.9)	0.41	(2.15)	16.51	15.32
33	Mideast	14,631,659,961	14,033,981,009	(4.4)	0.81	(1.63)	16.92	15.85
51	California^	18,889,921,252	17,351,383,735	(8.5)	0.54	(2.79)	16.65	14.69
124	Pacific Northwest	6,634,119,425	5,870,176,666	(11.8)	0.39	(2.03)	16.49	15.45
126	Southwest	10,446,991,480	8,787,143,321	(16.2)	1.20	(1.80)	17.31	15.68
131	Arizona	3,721,133,309	3,440,831,971	(7.9)	N/A	N/A	16.92	15.66
All Market Total/Average		123,594,396,421	106,164,715,142	(14.4)	0.75	(1.72)	17.67	16.71

Price at designated order location.

^ Adjusted for leap year.

N/A = Not applicable.

* During 2020, a significant volume of milk was not pooled on federal orders.

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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	639,975,838	\$16.27	\$104,124,068.84	
Butterfat	15,290,901	1.7100	26,147,440.71	
Less: Location Adjustment to Handlers			(2,696,050.24)	\$127,575,459.31
Class II— Butterfat	30,334,143	1.6002	48,540,695.65	
Nonfat Solids	48,447,432	0.8700	42,149,265.84	90,689,961.49
Class III— Butterfat	26,881,550	1.5932	42,827,685.49	
Protein	18,754,660	3.3935	63,643,938.75	
Other Solids	34,680,134	0.1241	4,303,804.60	110,775,428.84
Class IV— Butterfat	11,612,558	1.5932	18,501,127.38	
Nonfat Solids	31,678,810	0.8253	26,144,521.85	44,645,649.23
Total Classified Value				\$373,686,498.87
Add: Overage—All Classes				235,556.62
Inventory Reclassification—All Classes				228,321.11
Other Source Receipts	53,415			2,538.52
Total Pool Value				\$374,152,915.12
Less: Value of Producer Butterfat	84,119,152	1.5932	(134,018,633.01)	
Value of Producer Protein	67,479,667	3.3935	(228,992,250.02)	
Value of Producer Other Solids	125,095,634	0.1241	(15,524,368.21)	(378,535,251.24)
Total PPD Value Before Adjustments				(\$4,382,336.12)
Add: Location Adjustment to Producers				12,764,028.69
One-half Unobligated Balance—Producer Settlement Fund				592,590.02
Less: Producer Settlement Fund—Reserve				(953,416.90)
Total Pool Milk & PPD Value	2,167,801,561			\$8,020,865.69
Producer Price Differential		\$0.37		
Statistical Uniform Price		\$16.80		

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