

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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November Pool Price Calculation

The November 2021 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$19.54 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 \$21.59 per hundredweight. The November statistical uniform price was \$1.10 per hundredweight above the October price. The November producer price differential (PPD) at Suffolk County was \$1.51 per hundredweight, an increase of 90 cents from the previous month.

Product Prices Effect

All commodity prices, except cheese, increased as reported on the National Dairy Product Sales Report. Butter jumped nearly 18 cents, dry whey rose almost 4 cents, and nonfat dry milk increased about 12 cents, all on a per pound basis. The cheese price declined 1 cent per pound due to a combination of an almost 3-cent increase in the barrel price offset by nearly 5-cent drop in the block price. The commodity price changes translated to increases of 21 cents in the per-pound butterfat price, 4 cents in the other solids price, and nearly 12 cents in the nonfat solids price. The increase in the butterfat price, which had a negative effect on the protein price, combined with the decline in the cheese price and resulted in a 26-cent drop in the protein price.

All class prices rose from the previous month: Class I increased 90 cents; Class II rose \$1.32; Class III increased 20 cents, and Class IV was up \$1.75, all on a per hundredweight basis. Due to the higher class prices, the SUP increased resulting in the highest SUP since December 2014. With the Class III price the lowest for the month, the spread between the class prices increased resulting in a higher PPD.

Selected Statistics

Average daily deliveries per producer continued to set a record high for the month; it has topped 8,000 pounds every month since November 2020. The Class I volume was the highest for the month of November since 2018. The Class II and III volumes were the highest ever for the month of November. The average producer butterfat test tied with February 2021 as the record high for the Order. The producer protein test also set a record high for the Order. ❖

Pool Summary

- A total of 8,836 producers were pooled under the Order with an average daily delivery per producer of 8,144 pounds.
- Pooled milk receipts totaled 2.159 billion pounds, a decrease of 0.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 32.7 percent of total milk receipts, up 1.9 percentage points from October.
- The average butterfat test of producer receipts was 4.11 percent.
- The average true protein test of producer receipts was 3.25 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	32.7	706,682,865
Class II	24.9	537,924,121
Class III	27.7	597,374,088
Class IV	14.7	316,937,244
Total Pooled Milk		2,158,918,318

Producer Component Prices

	2021	2020
	\$/lb	
Protein Price	2.7536	5.6226
Butterfat Price	2.1541	1.5553
Other Solids Price	0.3949	0.1894

Class Prices

	2021	2020
	\$/cwt	
Class I	21.23	21.29
Class II	18.40	13.86
Class III	18.03	23.34
Class IV	18.79	13.30

Looking Ahead 2022

Projections using the Chicago Mercantile Exchange (CME) Class III and IV milk futures prices as settled on December 14, 2021, suggest the statistical uniform price (SUP) will average \$17.87 per hundredweight (CWT) for 2021. This is an increase of \$0.77 per cwt over the 2020 average. This article reviews some supply and demand factors and some economic indicators with a look to 2022. It is typically a challenge to forecast dairy prices beyond a few months in what might be considered a more normal year. A projection of where prices are expected to go in 2022 is offered based on futures prices.

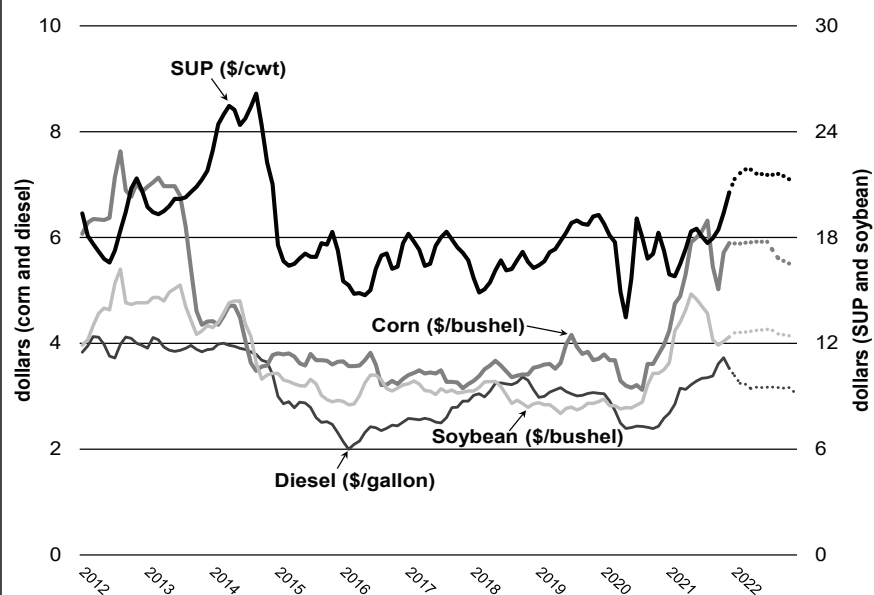
Select Cost Factors

Significant increases in the costs of production have been prevalent throughout 2021. The price of corn, soybeans, and diesel have all seen increases in excess of 15 percent from October 2020. Corn prices for October 2021, as reported by the National Agricultural Statistics Service (NASS), were \$5.02 per bushel, a year-to-year increase of 39 percent. CME corn futures, settled on December 14, imply the price will increase to \$5.89 per bushel at the end of the year and remain steady in 2022, averaging \$5.77 per bushel. NASS soybean prices have arched throughout 2021, starting the year at \$10.90 per bushel, reaching a high in May of \$14.80 per bushel, and decreasing to \$11.90 in October. CME soybean futures suggest a slightly increased price through 2022, averaging \$12.62 per bushel with a high in July of \$12.79 per bushel, compared to a 2021 average of \$13.03 per bushel. According to the U.S. Energy Information Administration (USEIA) the cost of retail diesel has increased \$1.30 per gallon from November 2020 to 2021, an increase of 53 percent. The USEIA forecast diesel fuel prices to slowly decline starting in December of 2021, and through 2022, predicting an average price of \$3.19 per gallon in 2022 with a yearly low in December 2022 at \$3.08 per gallon. Although 2021 prices are some of the highest seen in over 6 years, most record high prices of the past 10 years occurred between 2012 and 2014. Diesel fuel peaked at \$4.13 per gallon in March 2012, corn at \$7.63 per bushel in August 2012, and soybeans at \$16.20 per bushel, also in August 2012. The accompanying graph shows the SUP, corn, soybean, and USEIA retail diesel prices since January 2012 and projected through 2022.

Supply Factors

The United States Department of Agriculture's (USDA) *World Agricultural Supply and Demand Estimates* December

Northeast Order SUP vs Corn, Soybean, and Diesel Prices, 2012–Projected 2022



Source: U.S. Energy Information Administration; Chicago Mercantile Exchange; and USDA/National Agricultural Statistics Service, *Agricultural Prices*.

report anticipates a 0.6 percent increase in U.S. dairy production, an estimated 227.7 billion pounds for December 2022 compared to the 226.2 billion pounds estimated for December 2021. The November 18 USDA NASS *Milk Production* report showed a decrease of 0.3 percent for the 24 major milk producing states in October. For 2021, the first half of the year had stronger growth than the latter half, with a range between 2.2 and 4.9 percent (March and May, respectively), then gradually declined after July. U.S. monthly milk per cow for 2021 is reminiscent of 2020; it had an average monthly increase of 0.2 percent per cow compared to no significant average monthly change per cow for the first 10 months of 2021. Between the months of March to July, 2021 surpassed the prior year's performance by an average of 33.2 pounds of milk per cow.

Demand Factors

According to the U.S. Dairy Export Council (USDEC), between January and October 2021 dairy exports on a total milk solids basis increased 10.8 percent vs 2020, and totaled 1,948,351 metric tons. The U.S. is on track to exceed dairy exports for the third year in a row, exporting 2,086,145 metric tons in 2020 and 1,847,062 metric tons in 2019. The three largest categories of dairy exports (skim milk powder/nonfat dry milk (SMP/NFDM), whey, and cheese) have all increased in excess of 10.0 percent. SMP/NFDM has increased 10.1 percent over 2020 through October, accounting for 38.9 of dairy exports. Mexico, Southeast Asia, and Latin America are the three largest
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Looking Ahead (continued from page 2)

importers of U.S. SMP/NFDM; Southeast Asia is the only region of the three to see a decrease from the previous year (4 percent). Imports of whey to China had increased to 40 percent from 2020, making it the largest importer of U.S. whey by 128,426 metric tons. Cheese also has shown strong growth, increasing 11.3 percent over October 2020, with a 36.0 percent increase specifically in Latin America. Southeast Asia, Mexico, and China are the three largest importers of U.S. dairy, making up 28 percent, 21 percent, and 15 percent, respectively, of the U.S. foreign dairy market with China seeing the most growth over the prior year at 41.0 percent.

Domestic Situation

Some U.S. economic indicators are showing recovery signs from the initial shock of the pandemic while other present new concerns brought on by the recovery. The U.S. Bureau of Labor Statistics (BLS) reported the November 2021 unemployment rate at 4.2 percent, a continuation of the downward trend after the dramatic increase in April 2020 at 14.8 percent brought on by the pandemic-related shutdown. The Conference Board's Consumer Confidence Index (CCI), a measurement of the consumer's view of the health of the economy, is at 109.5 for November, down from 111.6 in October. This slight dip is not reflective of the overall positive trend throughout 2021 and believed to continue into 2022 due to optimism of short-term growth, but concern over rising prices is showing some hesitation in consumer confidence the latter half of 2021.

The Restaurant Performance Index (RPI) stood at 104.5 in October, a 1.6 percentage point increase from the previous month. Values over 100 suggest expansion of the market, index values have remained over 100 since late 2020. The Expectations Index, which measures the six-month outlook for restaurant operations, stood at 103.8 in October, a growth of 2.1 percentage points from September and the first increase in 4 months.

Price increases across the country have been a growing concern; the last 8 months have seen increases larger than 5.0 percent over the previous year. The BLS reported the Consumer Price Index (CPI) increased 6.8 percent for all items in November 2021 vs November 2020; this is the largest year-to-year increase in the last twenty years. The CPI for dairy and related products grew much slower in November at 1.6 percent relative to November 2020 and no increase from October 2021. All dairy products included in the CPI had a combined annual increase less than 6.8 percent. Milk prices grew 4.6 percent, ice cream 0.7 percent, and cheese decreased 0.3 percent. When seasonally adjusted the monthly increase in milk was 0.9 percent, ice cream decreased 2.0 percent, and cheese prices remained unchanged from October.

Outlook 2022

USDA forecasts the all-milk price for 2022 to be \$20.25 per cwt. Using December 14 CME Class III and Class IV future prices, the 2022 Northeast SUP is estimated to average \$21.54 per cwt. In its projection, USDA noted milk production growth has slowed in recent months, not just in the U.S., but among many major dairy-exporting countries as well. This lower than expected, but still continued, growth has placed a slight downward pressure on milk prices in 2022. ❖

2022 Payment Dates to Producers

The calendar below shows the dates for partial payments to producers that are not members of cooperatives. Partial payments are paid to producers for the milk received by pool handlers during the first 15 days of the month and are paid at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. As required by the Order, payment must be made so that a producer receives it no later than the date shown. The table dates vary due to weekends and national holidays.

The final payment date that non-member producers must be paid is dependent on the date that the statistical uniform price is announced. Each month, the date that final payments to producers must be received by is printed on the back of the Pool Price Announcement. The final payment is for the remaining milk received and is priced such that the producer should receive an average price for the entire month's milk at roughly the uniform price with adjustments for zone differential, component values, and other deductions relevant to that producer.

Producers that are members of cooperatives usually receive payments at the same time, although it is not required by the Order.

Required Producer Payments Under the Northeast Order

Month Milk Produced	Partial Payment Due	
	Day	Date
January	Wednesday	1/26/22
February	Monday	2/28/22
March	Monday	3/28/22
April	Tuesday	4/26/22
May	Thursday	5/26/22
June	Monday	6/27/22
July	Tuesday	7/26/22
August	Friday	8/26/22
September	Monday	9/26/22
October	Wednesday	10/26/22
November	Monday	11/28/22
December	Tuesday	12/27/22

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	689,201,009	\$14.98	\$103,242,311.15	
Butterfat	17,481,856	1.9363	33,850,117.77	
Less: Location Adjustment to Handlers			(2,968,369.24)	\$134,124,059.68
Class II— Butterfat	32,438,807	2.1611	70,103,505.79	
Nonfat Solids	47,522,475	1.2478	59,298,544.30	129,402,050.09
Class III— Butterfat	28,399,447	2.1541	61,175,248.76	
Protein	19,322,422	2.7536	53,206,221.21	
Other Solids	34,269,548	0.3949	13,533,044.52	127,914,514.49
Class IV— Butterfat	10,506,181	2.1541	22,631,364.51	
Nonfat Solids	28,831,560	1.2960	37,365,701.79	59,997,066.30
Total Classified Value				\$451,437,690.56
Add: Overage—All Classes				913,646.23
Inventory Reclassification—All Classes				862,888.07
Other Source Receipts	94,419			3,631.77
Total Pool Value				\$453,217,856.63
Less: Value of Producer Butterfat	88,826,291	2.1541	(191,340,713.43)	
Value of Producer Protein	70,106,219	2.7536	(193,044,484.61)	
Value of Producer Other Solids	124,484,391	0.3949	(49,158,885.99)	(433,544,084.03)
Total PPD Value Before Adjustments				\$19,673,772.60
Add: Location Adjustment to Producers				12,683,483.91
One-half Unobligated Balance—Producer Settlement Fund				1,216,054.04
Less: Producer Settlement Fund—Reserve				(972,218.12)
Total Pool Milk & PPD Value	2,159,012,737			\$32,601,092.43
Producer Price Differential		\$1.51		
Statistical Uniform Price		\$19.54		

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