



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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October Pool Price Calculation

The October 2025 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.20 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 \$20.76 per hundredweight. The October statistical uniform price was \$1.10 per hundredweight below the September price. The October producer price differential (PPD) at Suffolk County was \$1.29 per hundredweight, a decrease of 42 cents from the previous month.

Product Prices Effect

Commodity prices for October: the butter price fell 30 cents, the nonfat dry milk price decreased 7 cents, dry whey was up 1 cent, and the cheese price decreased 7 cents, all on a per pound basis. The commodity price changes translated to a 37-cent drop in the butterfat price, a 7-cent decrease in the nonfat solids price, a 2-cent increase in the other solids price, and a 17-cent rise in the protein price, all on a per pound basis.

Class Prices for October: Class I, based on prices in September, dropped 66 cents; Class II decreased \$1.37; Class III fell 68 cents; and Class IV dropped \$1.87, all on a per hundredweight basis. A decrease in all class prices combined with the Class III price higher than both the Class II and IV prices for the second month in a row resulted in a PPD being lower than September. The aforementioned decline in all class prices translated to a decrease in the SUP.

Selected Statistics

The total producer receipts, Class II utilization, and average daily delivery per producer were the highest volumes in the Northeast Order for the month of October. Class III utilization was the second highest volume for the month. For the month of October, the average producer butterfat and protein tests set new record highs since Order inception, and the average producer other solids test tied for highest record for the month. ❖

Pool Summary

- A total of 7,115 producers were pooled under the Order with an average daily delivery per producer of 10,457 pounds.
- Pooled milk receipts totaled 2.306 billion pounds, a decrease of 1.5 percent from lastmonth on an average daily basis.
- Class I usage (milk for bottling) accounted for 29.6 percent of total milk receipts, up 0.1 percentage point from September.
- The average butterfat test of producer receipts was 4.37 percent.
- The average true protein test of producer receipts was 3.32 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	29.6	683,359,993
Class II	28.1	648,214,323
Class III	29.7	683,720,651
Class IV	12.6	291,079,231
Total Pooled Milk		2,306,374,198

Producer Component Prices

	2025	2024
	\$/lb	
Protein Price	2.8761	3.3238
Butterfat Price	1.8252	3.0851
Other Solids Price	0.3360	0.3705

Class Prices

	2025	2024
	\$/cwt	
Class I	23.14	26.42
Class II	16.02	21.01
Class III	16.91	22.85
Class IV	14.30	20.90

The Role and Function of Federal Milk Marketing Orders

The dairy industry operates under a distinct set of biological, logistical, and economic constraints that differentiate it from almost every other agricultural sector. Unlike grain producers who can store a harvest in silos to await better market conditions, dairy farmers harvest a highly perishable product daily. Raw milk must be marketed and processed within hours of production, regardless of the prevailing price or current demand. This perishability historically stripped producers of bargaining power, as the inability to withhold supply created an inherent imbalance in the marketplace.

The physical nature of milk adds another layer of complexity. Milk is a bulky commodity, consisting primarily of water, which makes it heavy and expensive to transport relative to its value. Unlike non-perishable crops, moving milk requires a specialized, unbroken “cold chain.” Haulers must utilize dedicated, insulated tankers that maintain strict temperature controls from the farm bulk tank to the processing plant. In addition to refrigeration, the industry must adhere to rigorous sanitation requirements at every step of the supply chain to ensure food safety. These logistical demands (high transportation costs, specialized equipment, and strict sanitation protocols) limit the distance raw milk can be economically shipped, effectively restricting producers to regional markets.

Compounding these challenges is the natural seasonality of milk production. The biological cycle of the dairy cow results in a “spring flush,” where milk supplies peak during the spring months. However, this surge in production often stands in inverse relationship to consumer demand, which typically softens in the spring and peaks in the autumn during the school year and holiday seasons. This mismatch between the daily, unyielding supply of milk and the fluctuating demand for dairy products creates a naturally volatile marketplace.

Finally, the industry is defined by a significant reaction lag. Dairy production is slow to respond to market signals due to the biological nature of the herd. Unlike a manufacturing facility that can reduce output immediately in response to falling prices, a dairy farm cannot simply “turn off” the cows. It takes years to raise a herd to maturity, meaning that supply often stays high even when market signals indicate it should drop. This inability to rapidly adjust production volume leaves producers vulnerable to prolonged price suppression.

Historical Context and Orderly Marketing

Dairy historians have characterized milk marketing conditions in the decades prior to Federal regulation as chaotic and disorderly. In the early 20th century, the industry’s inherent instabilities frequently led to

destructive price wars. Notable problems confronting the dairy industry included burdensome surpluses, extreme price instability, and a significant disparity in bargaining power between buyers and sellers. During this period, organized producers attempted to implement numerous classified pricing systems with varying degrees of success; however, these pricing structures collapsed during the Great Depression, resulting in severe price and income declines.

The subsequent chaotic marketing conditions were the impetus for the Federal regulations that authorized the milk order program. Milk orders originated in the 1930s, preceded by Federal regulations known as “marketing agreements.” These agreements, backed up by licenses for processors, were authorized in 1933 as part of the Agricultural Adjustment Act. Amendments to this act two years later provided the legal foundation for the Federal order system. The Agricultural Marketing Agreement Act of 1937 further amended the 1933 Act and is the enabling legislation under which milk orders continue to exist today.

The primary objective of the program established by the 1937 Act was not to guarantee a profit for producers or to support prices artificially, but to create “orderly marketing” conditions. By establishing a framework of minimum prices and enforcing fair trade practices, the Orders successfully ensured a sufficient quantity of pure and wholesome milk for consumers while providing producers with a reliable market outlet.

Mechanisms

The Northeast Milk Marketing Area (Order 1) utilizes three primary mechanisms to maintain this stability: classified pricing, market-wide pooling, and auditing. The Market Administration is responsible for carrying out the language of the Order.

Classified Pricing and Market-Wide Pooling

To maximize the value of the milk supply, the Order categorizes milk into four classes based on its end use. Class I represents fluid milk used for bottling, which generally commands the highest value to ensure a steady supply for consumers. Class II includes soft products like yogurt and ice cream; Class III consists of milk used for cheese; and Class IV is utilized for butter and milk powders.

While milk is priced differently based on its use, the Federal Milk Marketing Order system ensures equity among producers through market-wide pooling. Without pooling, a producer shipping to a cheese plant (Class III) might receive significantly less than a neighbor shipping to a fluid bottling plant (Class I). In the Northeast Order, the total value of all milk used in all four classes is combined into a single “pool.” This allows for the calculation of a

(continued on page 3)

The Role and Function of Federal Milk Marketing Orders *(continued from page 2)*

Statistical Uniform Price (SUP), or “blend price,” which is the minimum price paid to all producers regardless of how their specific milk was utilized. This mechanism removes the incentive for producers to compete destructively for specific fluid milk contracts.

The third pillar of the system is the verification of payments and weights to ensure the integrity of the transaction between producers and handlers. This responsibility is executed through a two-fold approach: rigorous financial auditing of handler records and a comprehensive Market Services program for technical verification.

To ensure the financial integrity of the market-wide pool, the Market Administrator employs a professional staff of auditors who conduct detailed reviews of regulated handler records. These financial audits are essential to verify that milk is accurately classified according to its end use. Auditors examine production records, sales invoices, and inventory logs to confirm, for example, that milk reported as lower-value Class III was indeed used for manufacturing and not sold as higher-value Class I fluid milk. Misclassification would otherwise lower the pool’s value and the resulting price paid to farmers. Furthermore, these audits verify that handlers have paid producers at least the minimum uniform price and that these payments were issued strictly in accordance with the Order’s deadlines. Any discrepancies found during these reviews are promptly corrected, ensuring that the pool remains whole and that all producers are paid accurately.

Complementing this financial oversight is the technical verification of weights and tests, particularly for producers not receiving such services from a cooperative. In 2024, the Northeast Order operated two calibration trucks that covered 23,554 miles to calibrate 120 farm bulk tanks and check another 96 for accuracy. This ensures the conversion charts used to determine payment volume are precise. The Market Service department verifies the accuracy of component testing. In 2024, laboratory staff tested 13,095 samples of producer milk to verify the payment tests conducted by handlers. Staff also routinely monitored 22 industry laboratories and distributed control samples to ensure that the equipment used for payment testing maintained the highest standards of accuracy.

What do Federal Milk Marketing Orders NOT do?

- Regulate producers or control production
- Regulate payment practices by cooperatives to their members
- Guarantee a market or blend price level
- Establish sanitary or quality standards
- Prevent payment of prices higher than Federal Order minimum prices – not a support program

Changing Federal Milk Marketing Orders

The Federal Milk Marketing Order system is designed to be dynamic rather than static, possessing the inherent ability to evolve alongside the industry it regulates. When market structures shift, whether through changes in manufacturing costs, processing technologies, or consumer preferences, the Orders can be amended through a transparent federal rulemaking process. This rigorous procedure involves national hearings where testimony and evidence are presented, followed by public comment periods, and, ultimately, producer referendums to ratify changes. This responsiveness was recently demonstrated by the USDA’s issuance of a Final Rule to update uniform pricing formulas. Recognizing that the dairy landscape has shifted, the Federal Order ensures that it continues to send accurate market signals and maintain the orderly marketing conditions that have stabilized the dairy industry for nearly a century.

Conclusion

Federal Milk Marketing Orders provide an economic safety net by establishing a structured marketplace where classified pricing and market-wide pooling ensure all producers share equitably in the value of fluid milk sales. Beyond this economic foundation, the Orders actively protect the integrity of commerce by enforcing auditing programs that verify milk weights and component tests while ensuring handlers make accurate and timely payments to producers on a strict twice-a-month schedule. This system further supports the entire dairy industry by disseminating essential market information and maintaining price transparency through public announcements, equipping all stakeholders with the reliable data necessary for effective financial planning. ❖

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December 2025 New Milk Composition Factors in Effect

Effective December 1, 2025, the final Federal Milk Marketing Modernization price formula updates will result in increases to protein, other solids, and nonfat solids compositional factors. Specifically, protein will rise from 3.1 percent to 3.3 percent, other solids from 5.9 percent to 6.0 percent, and nonfat solids from 9.0 percent to 9.3 percent. In the Northeast Order, these adjustments will increase the Class I skim milk price and decrease the Class II nonfat solids price, ultimately resulting in a positive effect on the Producer Price Differential. ❖



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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 Milk	666,452,358	\$15.13	\$100,834,241.77	
	Butterfat	16,907,635	2.4391	41,239,412.53	
Less:	Location Adjustment to Handlers			(4,954,963.64)	\$137,118,690.65
Class II	Butterfat	37,768,858	1.8322	69,200,101.66	
	Nonfat Solids	58,091,492	1.1067	64,289,854.18	133,489,955.84
Class III	Butterfat	32,314,629	1.8252	58,980,660.85	
	Protein	22,671,709	2.8761	65,206,102.23	
	Other Solids	39,358,031	0.3360	13,224,298.38	137,411,061.46
Class IV	Butterfat	13,798,276	1.8252	25,184,613.31	
	Nonfat Solids	26,396,205	0.9116	24,062,780.48	49,247,393.79
Total Classified Value					\$457,267,101.74
Add:	Value for 60(e) through 60(i)				1,370,974.10
	Other Source Receipts	313,737			
Total Pool Value					\$458,638,075.84
Less:	Value of Producer Butterfat	100,789,398	1.8252	(183,960,809.21)	
	Value of Producer Protein	76,625,378	2.8761	(220,382,249.63)	
	Value of Producer Other Solids	133,051,971	0.3360	(44,705,462.25)	(449,048,521.09)
Total PPD Value before Adjustments					\$9,589,554.75
Add:	Location Adjustment to Producers				20,278,883.86
	One-half Unobligated Balance - Producer Settlement Fund				1,031,683.42
Less:	Producer Settlement Fund - Reserve				(1,146,295.02)
Total Pool Milk & PPD Value					\$29,753,827.01
	Producer Price Differential		\$1.29		
	Statistical Uniform Price		\$18.20		