

The Market Administrator's

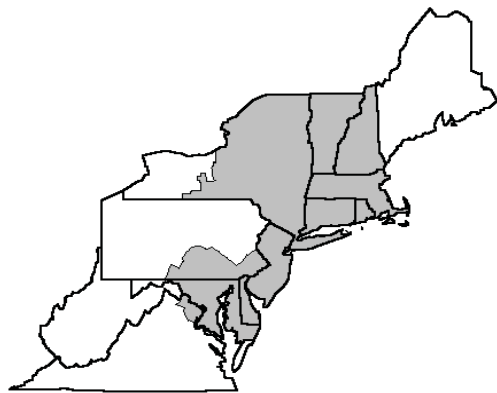
BULLETIN

NORTHEAST MARKETING AREA

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March 2017

Federal Order No. 1



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March Pool Price Calculation

The March 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.30 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 \$18.59 per hundredweight. The March statistical uniform price was 47 cents per hundredweight below the February price. The March producer price differential (PPD) at Suffolk County was \$1.49 per hundredweight, an increase of 60 cents per hundredweight from last month.

Product Prices Effect

Similar to February, all commodity product prices decreased during March except dry whey. Nonfat dry milk dropped 14 cents, cheese fell 13 cents, and butter declined about 1 cent, all on a per pound basis. These changes resulted in a 14-cent drop in the nonfat solids price, a nearly 42-cent drop in the protein price and a 1-cent decline in the butterfat component price. Even though the butterfat price fell slightly, it was the highest ever for the month of March since federal order reform.

The Class I price increased 17 cents per hundredweight based off of higher prices in February. The Class II price declined 31 cents; Class III dropped \$1.07; and Class IV fell \$1.27, per hundredweight, respectively. Even though a higher proportion of total producer milk receipts was in the higher-priced classes, the overall decline in prices resulted in a lower SUP. The spread between Class I and the other classes gave way to a higher PPD.

Highlights

The total volume of producer milk receipts continued to top the previous year for the same month and also set a new record high for the Order. In addition, March's daily delivery per producer set a new record for the Order. The Class IV volume was the highest ever for March and the second highest on record for the Order. Both the average producer butterfat and protein tests set new record highs for the month. ❖

Pool Summary

- A total of 11,272 producers were pooled under the Order with an average daily delivery per producer of 6,857 pounds.
- Pooled milk receipts totaled 2.396 billion pounds, an increase of 0.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 32.1 percent of total milk receipts, an increase of 0.6 percentage points from February.
- The average butterfat test of producer receipts was 3.92 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	32.1	768,340,454
Class II	23.8	569,351,577
Class III	24.7	592,314,037
Class IV	19.4	466,023,439
Total Pooled Milk		2,396,029,507

Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	1.8198	1.9206
Butterfat Price	2.4176	2.2028
Other Solids Price	0.3345	0.0501

Class Price Factors

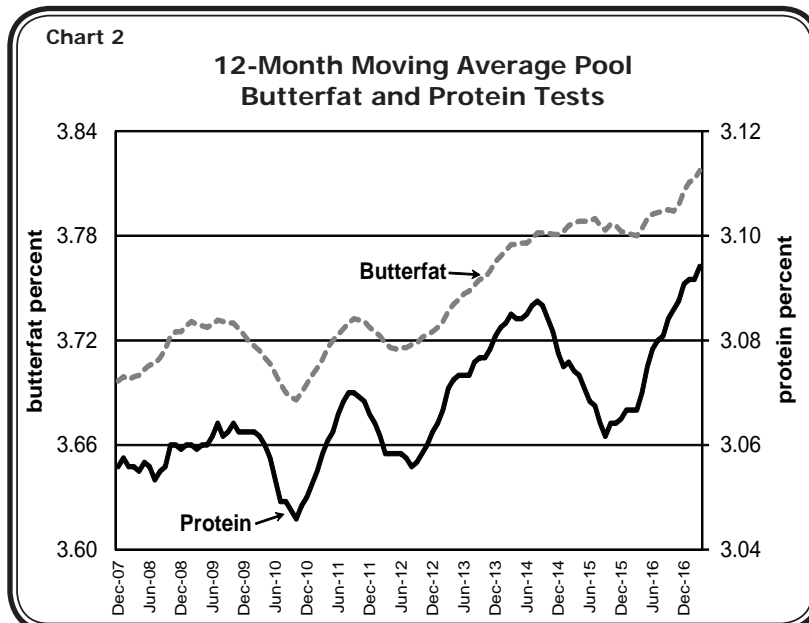
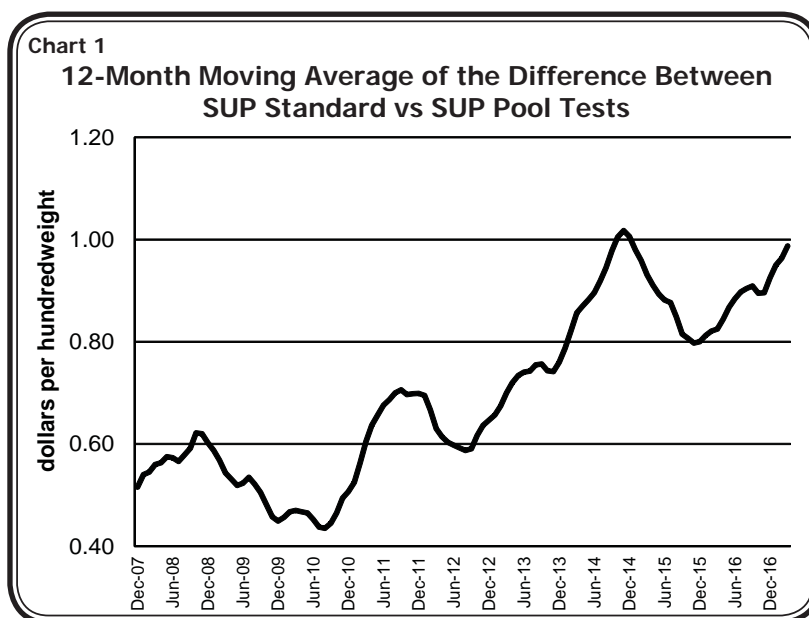
	2017	2016
	\$/cwt	
Class I	20.15	17.03
Class II	16.21	13.57
Class III	15.81	13.74
Class IV	14.32	12.74

SUP at Standard Tests VS Pool Tests

The Federal Order monthly Pool Price Announcement reports a Statistical Uniform Price (SUP) that represents a benchmark minimum price paid to dairy farmers, prior to allowable deductions, for farm milk of 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. The SUP for March 2017 at these standard tests was \$17.30 per hundredweight. The same announcement includes the average producer component tests for the month. For instance, the March 2017 components tests for all producers averaged 3.92 percent butterfat, 3.13 percent protein, and 5.75 percent other solids. The producer's individual minimum price may differ based on how different their own component tests are from the test levels used for the benchmark, as well as the respective differential zone of the plant(s) to where their milk is delivered if other than to plants located in Suffolk County, MA.

To provide producers a truer sense of the monthly minimum price being received, beginning in September 2006, the Market Administrator started reporting a SUP at average pool component tests. This SUP reflects what the minimum price level is if calculated using the weighted average component tests for all producer milk pooled on the Order. This SUP at average pool component tests for March 2017 was \$18.59 per hundredweight, \$1.29 higher than the SUP at standard tests. The difference between the SUP at standard tests and the SUP at pool component tests reflects the difference between that month's average pool component tests levels from what are used as standard tests (stated above).

Chart 1 presents a 12-month moving average of the difference between the two SUP's reported on the Pool Price Announcement since 2007 (the difference being the SUP at average pool component tests minus the SUP at standard tests). The 12-month moving average is an average that includes the current month's data as well as the previous 11 months. A 12-month moving average removes the seasonal characteristic of components from the analysis. Chart 2 presents 12-month moving averages of both the butterfat and component tests for the Order of all milk pooled during the month since 2007. Looking at Chart 1 and Chart 2 together, the relationship between changes in average component levels over time and the difference between the two reported SUPs on the Pool Price Announcement is evident. ❖



Top Producing Counties— Northeast Milkshed

In 2016, the top ten counties in terms of milk pooled on the Northeast Order accounted for 33.8 percent of all milk pooled during the year, up slightly from the 33.6 percent during the past 3 years. Pooled milk receipts do not necessarily account for all milk produced in a county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures. The accompanying table shows the top ten ranked counties for 2016 based on their volume pooled on the Order.

Change in Rankings

Since the Northeast Order's inception, Lancaster
(continued on page 3)

Top Producing Counties *(continued from page 2)*

County, PA, has led all counties, accounting for 8.6 percent of total milk pooled on the Order in 2016 (down from 9.0 percent in 2015). Lancaster's pooled production declined from 2015 but was still more than double the level of the second-ranked county, Cayuga County, NY, which has held this position since 2009.

There were several top-ten position changes in 2016. Wyoming County, NY, rose to number three from number five in 2015. St. Lawrence County in NY moved up from number six in 2015 to number four in 2016. Addison County, VT, and Jefferson County, NY, rose one place each from 2015, while Franklin County, VT, dropped from number three to number five in 2016, and Franklin County, PA, from number four to number eight. Lebanon County, PA, and Genesee County, NY, both fell off the top-ten list and were replaced by Onondaga and Lewis counties, both in New York. Onondaga was in the top-ten from 2012-2014; Lewis has been on the list for all years since the Order's inception except 2004, 2014, and 2015.

Some of the shifting in county rankings is due to the movement of milk in certain counties between different orders. For example, Wyoming County, NY, has farms that ship to handlers regulated by the Northeast Federal Order (FO #1), the Mideast Federal Order (FO#33), and the Western New York State Order. The data reported here only apply to the Northeast Order.

Proportion of Farms and DDP

Overall, the top ten counties accounted for 28.4 percent of all farms shipping to handlers regulated on the Northeast Order in 2016, down slightly from 29 percent in 2015. Lancaster County, alone, accounted for 14.8

Top Ten Counties Pooling on the Northeast Order, 2016

Rank	County	State	Volume Pooled on Order million lbs	Number of Farms	DDP
1	Lancaster	PA	2,328.7	1,638	3,884
2	Cayuga	NY	1,089.2	96	31,000
3	Wyoming	NY	822.3	104	21,604
4	St. Lawrence	NY	789.2	327	6,594
5	Franklin	VT	786.3	155	13,861
6	Addison	VT	751.0	106	19,357
7	Jefferson	NY	687.6	178	10,555
8	Franklin	PA	683.0	289	6,457
9	Onondaga	NY	588.5	72	22,332
10	Lewis	NY	587.5	185	8,676
Top Ten Total			9,113.3	3,150	7,905
Total Pooled on Order			26,977.6	11,095	6,643
Top Ten Proportion (%)			33.8	28.4	

Source: Northeast Order audited producer payroll reports.

percent of all farms on the Order. Of the top ten producing counties, Onondaga had the least number of farms, only 72 (0.6 percent of all farms), but accounted for 2.2 percent of the total volume of milk. Cayuga County accounted for less than 1 percent of all farms, but 4 percent of all milk pooled on the Order.

The top ten counties combined average Daily Deliveries per Producer (DDP) equaled 7,905 pounds in 2016, compared to 6,643 for all producers shipping on the Order. This is up from 7,275 pounds for the top ten and 6,280 pounds for the entire Order in 2015. Cayuga County reported the highest average DDP of the top ten counties. Lancaster County, with the largest pooled volume and number of producers, had the smallest DDP of the top ten counties with only 3,884 pounds. ❖

Pool Summary for all Federal Orders, January–March, 2016–2017

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2016	2017	Change^	2016	2017	2016	2017
		pounds			dollars per hundredweight			
1	Northeast	6,695,874,088	6,895,386,458	4.1	1.45	1.27	15.21	17.76
5	Appalachian	1,442,154,740	1,418,159,768	(0.6)	N/A	N/A	16.44	19.40
6	Florida	725,038,699	680,746,235	(5.1)	N/A	N/A	18.61	21.52
7	Southeast	1,406,816,670	1,444,258,165	3.8	N/A	N/A	16.90	19.59
30	Upper Midwest	9,484,212,479	7,730,054,228	(17.6)	0.17	0.17	13.93	16.66
32	Central	4,038,256,764	3,991,486,120	(0.1)	0.40	0.31	14.15	16.80
33	Mideast	5,072,467,874	5,207,544,121	3.8	0.56	0.41	14.31	16.90
124	Pacific Northwest	2,063,653,089	1,774,803,666	(13.0)	0.21	0.03	13.97	16.51
126	Southwest	3,663,285,758	3,431,985,529	(5.3)	1.28	1.03	15.03	17.51
131	Arizona	1,329,516,986	1,310,541,874	(0.3)	N/A	N/A	14.21	16.70
All Market Total/Average		35,921,277,147	33,884,966,164	(4.6)	0.68	0.54	15.28	17.94

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

^ Adjusted for leap year in 2016.

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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	752,655,764	\$11.90	89,566,035.92	
Butterfat	15,684,690	2.4753	38,824,313.16	
Less: Location Adjustment to Handlers			(2,882,962.02)	\$125,507,387.07
Class II— Butterfat	33,407,698	2.4246	81,000,304.60	
Nonfat Solids	49,554,963	0.8889	44,049,406.62	125,049,711.22
Class III— Butterfat	27,003,955	2.4176	65,284,761.61	
Protein	18,500,747	1.8198	33,667,659.37	
Other Solids	33,860,387	0.3345	11,326,299.46	110,278,720.44
Class IV— Butterfat	17,842,467	2.4176	43,135,948.22	
Nonfat Solids	41,437,573	0.6747	27,957,930.51	71,093,878.73
Total Classified Value				\$431,929,697.46
Add: Overage—All Classes				129,189.16
Inventory Reclassification—All Classes				73,128.17
Other Source Receipts	534,143 Pounds			20,935.28
Total Pool Value				\$432,152,950.07
Less: Producer Component Valuations @ Class III Component Prices				(409,668,045.06)
Total PPD Value Before Adjustments				\$22,484,905.01
Add: Location Adjustment to Producers				13,384,075.24
One-half Unobligated Balance—Producer Settlement Fund				1,018,954.96
Less: Producer Settlement Fund—Reserve				(1,179,136.88)
Total Pool Milk & PPD Value	2,396,563,650 Producer pounds			\$35,708,798.33
Producer Price Differential		\$1.49		
Statistical Uniform Price		\$17.30		

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