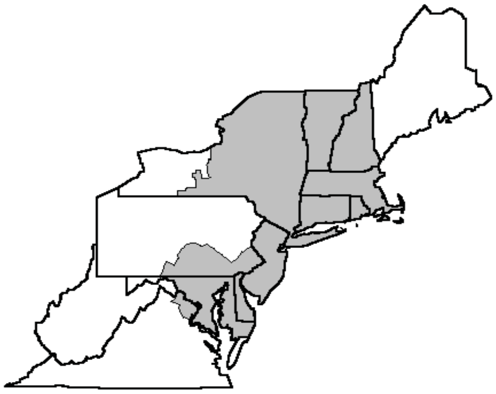


The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2017 Federal Order No. 1

To contact the Northeast Marketing Area offices:
Boston, MA: phone (617) 737-7199, *Albany, NY*: phone (518) 452-4410, *Alexandria, VA*: phone (703) 549-7000;
e-mail address: Northeast Order@fedmilk1.com
website address: www.fmmone.com

October Pool Price Calculation

The October 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.44 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 $18.64 per hundredweight. The October statistical uniform price was 45 cents per hundredweight below the September price. The October producer price differential (PPD) at Suffolk County was $0.75 per hundredweight, a decrease of 78 cents per hundredweight from last month.

Product Prices Effect

All commodity product prices declined from the previous month except cheese, which rose 6.5 cents per pound. Butter dropped nearly 16 cents per pound resulting in a 19-cent decline in the butterfat price. Nonfat dry milk and dry whey each fell about 4 cents per pound, which equated to 4-cent per pound drops in both the nonfat and other solids prices. The increase in the cheese price, combined with the decrease in the butterfat price, translated into a 41-cent per pound jump in the protein price.

All class prices decreased expect Class III that rose 33 cents per hundredweight. Class I declined 27 cents; Class II fell 85 cents; and Class IV dropped $1.01, all on a per hundredweight basis. These changes resulted in a lower SUP, compared to last month, but the October price was still $1.21 per hundredweight higher than a year ago.

Highlights

For the first time in 2 years, the total volume of producer milk receipts did not set a new record high for the month, although it was the second highest ever for the month of October. Both Class II and Class III volumes set new October record highs.

The average producer component butterfat test tied with 2015's record high. The average other solids test set a new record for the month of October.❖

Pool Summary

- A total of 11,164 producers were pooled under the Order with an average daily delivery per producer of 6,481 pounds.
- Pooled milk receipts totaled 2.243 billion pounds, a decrease of 0.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 34.3 percent of total milk receipts, up 0.4 percentage points from September.
- The average butterfat test of producer receipts was 3.85 percent.
- The average true protein test of producer receipts was 3.12 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	34.3	768,478,332
Class II	25.2	565,198,112
Class III	26.2	588,717,899
Class IV	14.3	320,507,815
Total Pooled Milk		2,242,902,158

Producer Component Prices

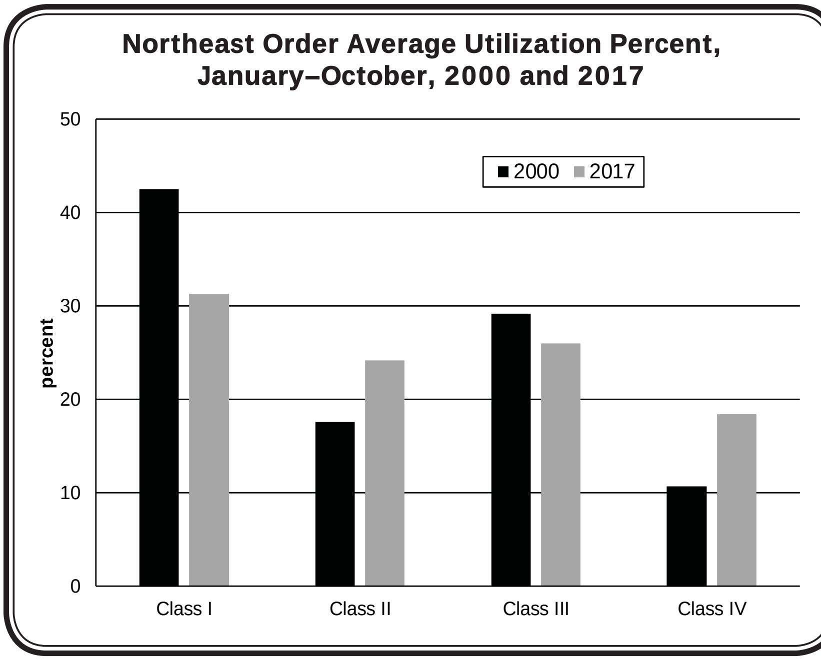
	2017	2016
	$/lb	
Protein Price	2.1084	2.2975
Butterfat Price	2.6646	2.0493
Other Solids Price	0.1853	0.1351

Class Price Factors

	2017	2016
	$/cwt	
Class I	19.69	19.85
Class II	15.95	14.09
Class III	16.69	14.82
Class IV	14.85	13.66

Some Negative PPDs and Pooling Surplus Milk

The October 2017 producer price differential (PPD) was $0.75 per hundredweight (cwt) at Suffolk County, Massachusetts (Boston), the basing point for the Northeast Order and a $3.25 differential zone. For the month of October, milk delivered to plants located in the zones below $2.50 (a region running through Central New York and South Central Pennsylvania), further away from the Boston base point, received a negative PPD. The accompanying table presents the total volume of milk pooled and the total milk pooled by class, by differential zone, for the month of October 2017. For the month of October, 26.1 percent of the milk pooled on the Order was received at plants in these zones impacted.



Current PPD Dynamics

In October, a 33 cents increase in the Class III price, while all other class prices decreased, contributed to the decline in the PPD level that resulted in negative PPDs in some zones. The October Class I price was established in advance, when market prices used in the Class I price formula had declined. Since then, the Class III price recovered, narrowing the gap between the Statistical Uniform Price and the Class III price. The Class I price for November has already been established at 3 cents below October's Class I price. At this time all other class prices are expected to decline, based on Chicago Mercantile Exchange futures prices as of November 15, 2017. The result of these expected price dynamics is a lower SUP for November, lower Class II price, and a PPD that will be lower than October, but still high enough to be positive in some zones.

Utilization percentages between the four classes have narrowed over time, even more so recently, due to the large volume of milk finding a market in a manufacturing class while Class I stays fairly constant. The accompanying chart presents the average percent utilization of the four classes for the first 10 months of the year for 2000 and 2017. The range in utilization percent from lowest to highest in 2000 was 31.8 percentage points. This range in 2017 is a narrower

(continued on page 3)

Northeast Order Pool Milk from Producers by Plant Location at Which Priced, October 2017

Selected Locations	Location Differential	Producer Price Differential	Statistical Uniform Price	Class I	Class II	Class III	Class IV	Total Pool Pounds
				(million pounds)				
Boston, MA	3.25	0.75	17.44	74.3	10.6	3.0	3.4	91.3
New York, NY	3.15	0.65	17.34	33.3	27.2	34.3	0.8	95.6
Long Valley, NJ	3.10	0.60	17.29	32.9	1.6	12.3	0.5	47.3
Philadelphia, PA	3.05	0.55	17.24	135.2	36.2	0.9	4.1	176.4
Agawam, MA/Baltimore, MD	3.00	0.50	17.19	119.6	52.4	7.8	57.0	236.8
Frederick, MD/New Holland, PA	2.90	0.40	17.09	30.2	12.1	6.9	1.1	50.3
Mt. Holly Springs, PA	2.80	0.30	16.99	124.4	103.7	50.6	135.9	414.7
Albany/Binghamton, NY	2.70	0.20	16.89	84.9	30.4	7.4	3.9	126.7
Middlebury, VT	2.60	0.10	16.79	8.8	4.4	81.6	1.2	96.1
Syracuse, NY	2.50	0.00	16.69	82.9	159.8	57.7	21.3	321.7
St. Albans/Swanton, VT	2.40	(0.10)	16.59	0.3	26.2	12.1	12.3	50.9
Watertown/Rochester, NY	2.30	(0.20)	16.49	16.9	70.1	249.7	53.4	390.1
Buffalo, NY	2.20	(0.30)	16.39	24.8	29.6	54.4	24.0	132.7
Jamestown, NY	2.10	(0.40)	16.29	0.0	0.8	3.7	0.5	5.0
All Other Locations				0.0	0.0	6.2	1.0	7.3
Market Total				768.5	565.2	588.7	320.5	2,242.9

Negative PPDs *(continued from page 2)*

12.8 percentage points. This tightening of utilization percent levels makes the Order more susceptible to small and negative PPDs. The PPD at the Boston zone has averaged $1.36 per cwt in 2017 and has resulted in negative PPDs in at least some differential zones during 4 of the first 10 months of the year (with November projected as the 5th month this will occur this year). The PPD in December currently projects to return to positive in all zones.❖

Year-to-Date Class Utilization Changes

For the January through October 2017 period, producer milk pooled by class has surpassed the same month previous year for a majority of the months in all classes. This milk is combined with current plant inventories and bulk and packaged plant transfers and is reflected in the total utilization of milk under the Order. The accompanying table shows changes for the January-October period for 2016-17 in utilization by class and highlights selected product changes.

Class I

For a majority of 2017, Class I pooled pounds have surpassed the same month of the previous year (7 out of 10 months). Even so, the total Class I volume may still finish below last year's. Class I utilization is currently down 0.3 percent year-to-date. As shown in the table, conventional and organic whole milk is up, while conventional and organic lower fat products (skim and 1 and 2 percent butterfat) are down.

Class II

Class II pooled pounds have only surpassed the previous year same month volume 5 times during 2017, although February actually was higher than last year on a per day basis. October's volume set a new record high for the month. During the late fall holiday period – November through January – it is increasingly common for processing plants to close for multi day periods due to the holiday calendar and to complete extended maintenance projects. This can result in production fluctuations as plants boost production in one period to carry over product for a planned plant shut down. This appears to be a factor in the larger than normal upturn in Class II production during the month of October ahead of anticipated plant closures during November. Such industry practices make it challenging for milk marketers who have to find a home for the near constant supply of producer milk during such periods.

Year-to-date, Class II utilization is up a slight 0.3 percent. As highlighted in the table yogurt is up slightly, ice cream is down, and packaged cream and the prepared foods category (includes bakery, candy, soup, and other products) is up.

Class III

Class III pooled pounds have been higher than the previous year 8 out of 10 months during 2017, with October setting a new record high. As the table shows, milk used in the production of all cheeses in this class has risen. The Swiss and Other Cheese category has risen considerably, mainly due to the addition of a plant that reopened late in 2016. Overall, Class III utilization is up 5.7 percent from last year for the January-October period.

Class IV

In all but 2 months during 2017, Class IV pooled pounds have surpassed the previous year same month. Even in the months that did not, the volume was the second highest ever pooled for that month. Class IV utilization is up 1.3 percent year-to-date with increases in butter and dried milk products.❖

Northeast Order Utilization for Selected Products, January–October, 2017

	Product	Volume in* million pounds	Percent Change from 2016
Class I	Conventional Whole	2,263.7	2.9
	Conventional Lower Fat	3,077.5	(5.4)
	Organic Whole	148.7	7.4
	Organic Lower Fat	204.6	(1.6)
	*Total Class I***	8,154.9	(0.3)
Class II	Ice Cream	1,306.6	(2.2)
	Package Cream	825.2	4.1
	Prepared Foods	576.6	0.6
	Yogurt	2,003.9	0.9
	Total Class II	5,856.2	0.3
Class III	American	2,076.7	1.3
	Cream Cheese	734.7	7.1
	Italian	2,372.9	0.3
	Swiss and Other	709.2	35.6
	Total Class III	6,018.9	5.7
Class IV	Butter	266.7	19.8
	Dried Products	3,652.8	1.2
	Total Class IV	5,122.3	1.3
Total Utilization		25,308.8	1.5

* Totals include other categories now shown such as bulk shipments to nonorder plants, inventory, and shrinkage. Product totals are derived from reports submitted by pooled handlers.
** Only includes sales by fully regulated pool handlers.

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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	751,730,833	$9.92	74,571,698.63	
	Butterfat	16,747,499	2.8905	48,408,645.86	
Less:	Location Adjustment to Handlers			(2,917,165.92)	$120,063,178.61
Class II—	Butterfat	32,498,610	2.6716	86,823,286.50	
	Nonfat Solids	49,028,781	0.7600	37,261,873.56	124,085,160.06
Class III–	Butterfat	25,227,323	2.6646	67,220,724.88	
	Protein	18,330,090	2.1084	38,647,161.75	
	Other Solids	33,663,628	0.1853	6,237,870.24	112,105,756.87
Class IV–	Butterfat	11,859,509	2.6646	31,600,847.71	
	Nonfat Solids	28,463,338	0.6357	18,094,143.98	49,694,991.69
Total Classified Value					**$405,949,087.23**
Add:	Overage—All Classes				30,897.57
	Inventory Reclassification—All Classes				(288,763.87)
	Other Source Receipts	388,780	Pounds		8,397.29
Total Pool Value					**$405,699,618.22**
Less:	Producer Component Valuations @ Class III Component Prices				(401,268,109.74)
Total PPD Value Before Adjustments					**$4,431,508.48**
Add:	Location Adjustment to Producers				12,557,710.14
	One-half Unobligated Balance—Producer Settlement Fund				900,230.67
Less:	Producer Settlement Fund—Reserve				(1,064,767.28)
Total Pool Milk & PPD Value		2,243,290,938	Producer pounds		**$16,824,682.01**
	Producer Price Differential		**$0.75**		
	Statistical Uniform Price		**$17.44**		

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