

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1



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May Pool Price Calculation

The May 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.14 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 \$17.02 per hundredweight. The May statistical uniform price was 68 cents per hundredweight above the April price. The May producer price differential (PPD) at Suffolk County was \$0.96 per hundredweight, a decrease of 3 cents per hundredweight from last month.

Product Prices Effect

All commodity product prices increased from the previous month. The butter price rose 9 cents; nonfat dry milk increased 8 cents; cheese was up 6 cents; and dry whey was up about 1 cent, all on a per pound basis. These changes resulted in an 11-cent jump in the butterfat price, making it the highest butterfat price for the month of May on record. The commodity price changes also resulted in 8-cent increases in both the nonfat solids and protein prices, and a 1-cent increase in the other solids price.

All class prices rose from April. Class I increased 34 cents; Class III was up 71 cents; and Class IV jumped \$1.09, all on a per hundredweight basis. The Class II price rose 44 cents, but was the lowest of the classes.

The result was a higher SUP than the previous month. The PPD decreased slightly as the spread between the lower classes and the Class I price tightened.

Selected Statistics

Total pooled milk receipts for April 2018 were the largest volume ever reported for the Northeast Order since its inception; the daily deliveries per producer (DDP) also set a new record high. Total Class II volume was the highest ever for the Order, partially due to it being the lowest prices class.

The average producer butterfat test tied with last year's record for the month of May. The average producer protein test was the second highest for the month and the other solids tests tied with previous year's records set for the month. ❖

Pool Summary

- A total of 10,569 producers were pooled under the Order with an average daily delivery per producer of 7,433 pounds.
- Pooled milk receipts totaled 2.435 billion pounds, an increase of 2.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.2 percent of total milk receipts, down 0.6 percentage point from April.
- The average butterfat test of producer receipts was 3.80 percent.
- The average true protein test of producer receipts was 3.04 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	30.2	735,673,627
Class II	26.0	633,583,138
Class III	24.9	605,242,084
Class IV	18.9	460,861,256
Total Pooled Milk		2,435,360,105

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.8609	1.7723
Butterfat Price	2.6239	2.4134
Other Solids Price	0.0742	0.3196

Class Price Factors

	2018	2017
	\$/cwt	
Class I	17.69	18.45
Class II	14.47	14.84
Class III	15.18	15.57
Class IV	14.57	14.49

Fluid Milk Container Sales Survey

The 2017 container sales survey of Class I handlers regulated under the Northeast Order was recently completed. This survey is conducted biennially and records sales of fluid milk products by various package types and sizes for the month of November. The survey collects sales data from handlers (fully and partially regulated, exempt, and producer-handlers) under the Northeast Order that have sales of packaged fluid milk within the defined geographic region of the Northeast Milk Marketing Area. Sales reported by these handlers include those in the Marketing Area, along with sales to unregulated areas and other federal order areas.

Started in 1964, the survey was conducted annually through 1967 and biennially since. Its purpose is to reflect bottling changes in the industry from various containers such as glass to paper and plastic, and from various sizes such as quarts to gallons and in later years, round single serve plastic containers. More recent surveys added organic products, extended shelf life (ultra and aseptic pasteurized), and additional categories in methods of distribution.

Container Size and Type

Packaged sales reported by handlers in the Northeast continue their decline and totaled 772 million pounds in November 2017, down from 791 million in 2015 and 872 million in 2013. There was little change in the proportion sold by container size. Gallons still accounted for over half of all milk sold in the Northeast at 54.3 percent (see accompanying chart). Unchanged from the last survey, they were followed by half gallons at 27.3 percent and quarts

Method of Distribution*	2015	2017
	Percent	
Supermarket chains	38.0	36.0
Mass merchandisers	9.9	9.0
Club Stores	4.5	6.9
Convenience stores	9.1	8.7
Drug Stores	1.2	1.0
Schools	4.2	4.1
Institutions	2.5	1.8
Wholesale distributors	25.2	25.0
Home delivery routes	0.2	0.1
Other	5.4	7.4
Total	100.1	100.0

* Sales of packaged fluid milk products from regulated handlers in the Northeast Marketing Area, unregulated areas, and other federal order areas. A new category (Internet Ordered Home Delivery) was added in 2017, but sales accounted for less than 0.1 percent.

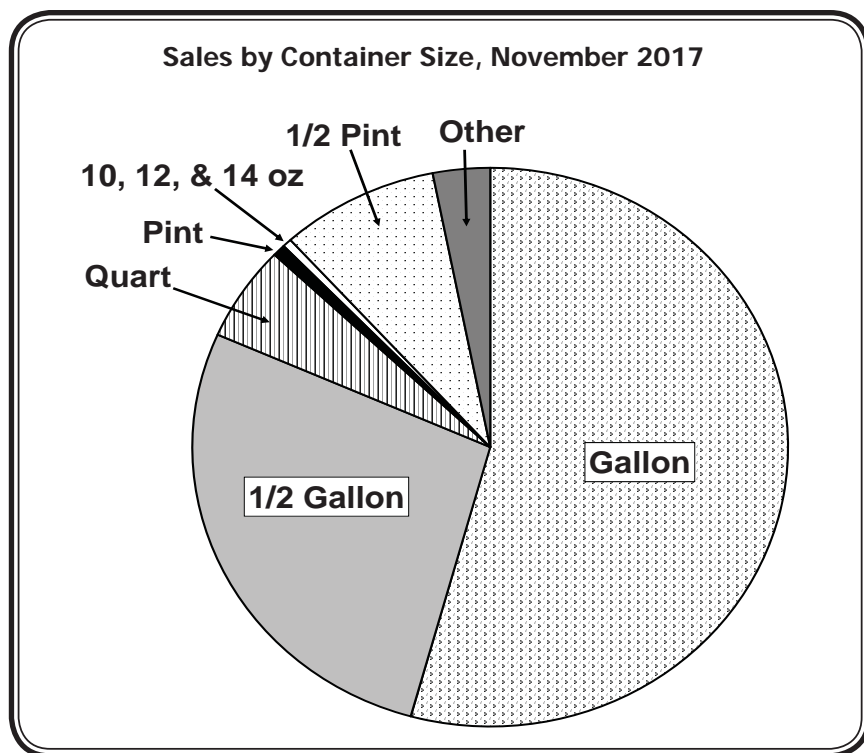
at 5.5 percent. Half pints were up slightly from 8.1 to 8.6 percent. The round plastic 14, 12, and 10 ounce containers proportion remained the same as in 2015, at 0.5 percent.

Proportions of type of container remained nearly the same as in 2015. Glass usage declined to 0.3 percent; it had increased to a 0.4 percent share of sales in the marketing area in 2013. Paper rose to 22.5 percent (from 21.1 in 2015), while plastic declined slightly to 77.2 percent (from 78.5 in 2015). The paper proportion has risen in the past two surveys.

Product Type

Whole milk (unflavored) continued to hold the largest market share with 37.6 percent, up from 34.3 percent in 2015. Sales of reduced fat (2%), low fat (1%), and fat free (skim) accounted for a combined total of 53.0 percent, a decline from the last survey (56.6 percent in 2015). Flavored milk and drinks (lower fat flavored milk) had 6.5 percent of all sales, down slightly from 6.7 in 2015. Buttermilk was unchanged at 0.5 percent; eggnog increased to 2.3 percent (from 1.8 percent in 2015).

Organic milk (included regular and flavored, whole and lower fat) rose to 6.3 percent of all sales, up slightly from 6.1 during the last survey. Within the organic category, 39.8 percent was whole milk, the remaining
(continued on page 3)



Fluid Milk (continued from page 2)

60.2 percent lower fat products. Only 0.8 percent of organic milk sold was flavored.

As mentioned above, this survey broke out extended shelf life (ESL) products. Of total sales reported, 11.2 percent were ESL (up from 8.7 percent in 2015). Within product categories, they accounted for 7.8 percent of whole milk, 13.3 percent of reduced fat, 6.6 percent of low fat, 18.6 percent of fat free, and 8.0 percent of organic milk. ESL products predominantly are sold in paper half gallons, followed by plastic gallons and paper quarts.

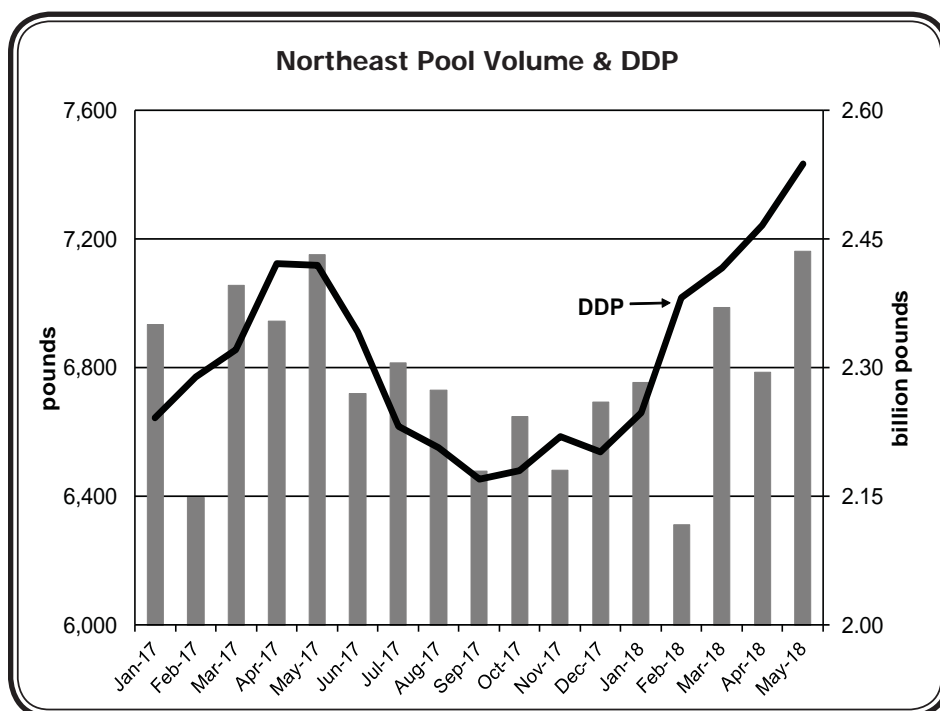
Method of Distribution

This survey added an additional category to the

Methods of Distribution section – Internet Ordered Home Delivery. Only two handlers reported sales in this category and the total was too small to register any percentage. Supermarket sales accounted for the largest volume at 36.0 percent (see accompanying table). Wholesale distributors were second, followed by mass merchandisers (Wal-Mart, Target, etc.). Club stores (Costco, Sam’s Club, BJ’s Wholesale, etc.) increased to 7.0 percent, up from 4.5 percent in the last survey. Convenience stores (not drug stores) accounted for nearly 9 times the volume of drug stores (CVS, Rite Aid, Walgreens, etc.). School sales were down slightly from previous surveys. ❖

Pool Volume and Dairy Deliveries per Producer

The recent Northeast milk market has been characterized by large volumes of milk produced and pooled on the Northeast Order. More recently, data have shown some evidence of easing in this trend as monthly pool volumes have been below previous year levels in six of the last eight months. Additionally, Class IV volume has been below previous year levels for six straight months (averaging 38.9 million pounds lower). However, May’s pool topped last year by 3 million pounds after a 5-month stretch where the pool volume averaged 38 million pounds below. May’s daily deliveries per producer (DDP) set an all time record high for the second month straight. The accompanying chart presents DDP and total Northeast Order pool volume since January 2017. ❖



Producers Approve California Order

On June 7, 2018, the USDA announced that California dairy producers voted to approve a Federal Milk Marketing Order (FMMO) for the state of California. A final rule was published in the Federal Register also on this date. The new California FMMO will be implemented October 17, 2018, with publication of the Announcement of Advanced Prices and Pricing Factors. Affected parties must comply with all provisions beginning November 1, 2018.

California represents over 18 percent of all U.S. milk production and is currently regulated by a state milk marketing order administered by the California Department of Agriculture (CDFA). Once the new FMMO is established, over 80 percent of the U.S. milk supply

would fall under the FMMO regulatory framework.

Where appropriate, the California FMMO adopts the uniform order provisions contained in the 10 current FMMOs in the national system. These uniform provisions include, but are not limited to, dairy product classification, end-product price formulas, and the producer-handler definition. The new FMMO recognizes the unique market structure of the California dairy industry through tailored, performance-based standards to determine eligibility for pool participation. The order also provides for the recognition of producer quota as administered by the CDFA.

The entire record of the rulemaking is available at www.ams.usda.gov/caorder. ❖

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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	720,305,151	\$9.23	66,484,165.44	
Butterfat	15,368,476	2.5102	38,577,948.46	
Less: Location Adjustment to Handlers			(2,770,908.62)	\$102,291,205.30
Class II— Butterfat	34,472,142	2.6309	90,692,758.37	
Nonfat Solids	54,836,150	0.6056	33,208,772.41	123,901,530.78
Class III— Butterfat	27,208,847	2.6239	71,393,293.63	
Protein	18,363,141	1.8609	34,171,969.05	
Other Solids	34,692,922	0.0742	2,574,214.83	108,139,477.51
Class IV— Butterfat	15,571,270	2.6239	40,857,455.36	
Nonfat Solids	40,783,601	0.6196	25,269,519.16	66,126,974.52
Total Classified Value				\$400,459,188.11
Add: Overage—All Classes				103,187.02
Inventory Reclassification—All Classes				249,323.20
Other Source Receipts	394,859 Pounds			10,438.16
Total Pool Value				\$400,822,136.49
Less: Producer Component Valuations @ Class III Component Prices				(391,023,260.04)
Total PPD Value Before Adjustments				\$9,798,876.45
Add: Location Adjustment to Producers				13,670,218.32
One-half Unobligated Balance—Producer Settlement Fund				1,041,814.95
Less: Producer Settlement Fund—Reserve				(1,127,661.99)
Total Pool Milk & PPD Value	2,435,754,964 Producer pounds			\$23,383,247.73
Producer Price Differential		\$0.96		
Statistical Uniform Price		\$16.14		

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