



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1

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December Pool Price Calculation

The December 2018 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.27 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 \$17.78 per hundredweight. The December statistical uniform price was 35 cents per hundredweight below the November price. The December producer price differential (PPD) at Suffolk County was \$2.49 per hundredweight, an increase of 31 cents per hundredweight from last month.

Product Prices Effect

Similar to November, commodity product price changes were mixed. The cheese price dropped 7 cents per pound, which equated to a 20-cent per pound decline in the protein. The butter price declined 2.5 cents resulting in a 3-cent drop in the butterfat price. Even so, the butterfat price was record-setting for the month of December. Both nonfat dry milk and dry whey each rose slightly and translated to similar changes in the nonfat solids and other solids component prices.

The Class I price declined 47 cents per hundredweight. The Class III price dropped 66 cents, again due to the decrease in the protein component. Both the Class II and Class IV prices rose slightly. The spread between the Class I price and the lowest class price (Class III) rose from last month. The overall lower prices, combined with higher utilizations in the lowest priced classes resulted in a decreased SUP. The PPD rose as the spread between the higher priced classes and the Class III price grew, again resulting in the highest PPD since July 2017.

Selected Statistics

Average daily deliveries per producer set a new record high for the month of December. The average producer butterfat tied with November as a record high for the Order. The producer protein test set a record high for the month of December. ❖

Pool Summary

- A total of 10,359 producers were pooled under the Order with an average daily delivery per producer of 6,910 pounds.
- Pooled milk receipts totaled 2.219 billion pounds, an increase of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 34.0 percent of total milk receipts, down 1.7 percentage points from November.
- The average butterfat test of producer receipts was 4.01 percent.
- The average true protein test of producer receipts was 3.19 percent.
- The average other solids test of producer receipts was 5.73 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	34.0	753,707,768
Class II	21.0	466,776,916
Class III	26.5	588,709,713
Class IV	18.5	409,751,162
Total Pooled Milk		2,218,945,559

Producer Component Prices

	2018	2017
	\$/lb	
Protein Price	1.1417	2.0378
Butterfat Price	2.5080	2.4951
Other Solids Price	0.2775	0.1070

Class Price Factors

	2018	2017
	\$/cwt	
Class I	18.30	20.13
Class II	15.67	14.49
Class III	13.78	15.44
Class IV	15.09	13.51

2018 Northeast Order Statistics Summarized

For the first time since 2009, the volume of milk received from producers shipping to handlers regulated under the Northeast Order did not surpass the previous year. Total milk received from producers equaled 27.1 billion pounds in 2018, down 1.0 percent from 2017.

Even though the total amount of milk pooled on the Order declined, the average volume per producer grew 4.5 percent and topped 7,000 pounds for the first time ever since the Order's inception. The year ended with 789 fewer producers than at the end of 2017, the largest year-to-year drop recorded for the Order. Although the volume of milk pooled declined in the Northeast, lower prices reflected the strong supply that demand could not keep pace with. All class prices declined and the statistical uniform price (SUP) averaged 7.7 percent below 2017.

The accompanying table compares selected pool statistics for 2017 and 2018.

Class Utilization Changes

Class I utilization averaged 32.1 percent in 2018, unchanged from the previous year. There was a decline of 97.7 million pounds (1.1 percent) from 2017, but due to the decline in the total volume, the utilization percentage was unchanged. The total volume of producer receipts used in Class II declined 0.7 percent from 2017, resulting in a 0.1 percentage point increase in the utilization percentage to 24.0 percent of total producer milk pooled in 2018.

Class III volume grew 1.5 percent and beat out last year for the third largest total since the Order's inception; the only two years higher being 2001 and 2002. Utilization averaged 26.7 percent, up 0.7 percentage points from 2017. The amount of milk used in Class IV dropped 5.0 and accounted for an annual average of 17.2 percent utilization, a drop of 0.8 percentage points.

Prices Lower Than 2017

As previously mentioned, milk supplies were down but still plentiful during 2018. Butterfat demand was strong during the first half of 2018, and set record-high butter prices during March, April, and May as reported by National Dairy Products Sales Report (NDPSR). Prices dropped sharply beginning in July. The year finished with a \$2.2572 per pound average butter price, 3.1 percent lower than in 2017.

Cheese prices began the year considerably below 2017. They rose above previous year levels in April and May, but declined during the rest of 2018, especially in the last 2 months of the year. The NDPSR cheese price averaged \$1.5377 per pound for 2018, down 5.9 percent from 2017. Nonfat dry milk prices also began the year with record low levels, but rose somewhat during

Northeast Order Pool Statistics, 2017–2018

Pool Statistics	2017	2018	2017-18 Change
	million pounds		percent
Class I	8,798.5	8,700.8	(1.1)
Class II	6,543.4	6,495.6	(0.7)
Class III	7,132.7	7,238.9	1.5
Class IV	4,921.9	4,673.6	(5.0)
Total	27,396.5	27,108.9	(1.0)
	pounds		
DDP	6,722	7,026	4.5
	utilization percentage		change
Class I	32.1	32.1	0.0
Class II	23.9	24.0	0.1
Class III	26.0	26.7	0.7
Class IV	18.0	17.2	(0.8)
	dollars/cwt		percent
Class I	19.70	18.09	(8.2)
Class II	16.04	14.80	(7.7)
Class III	16.17	14.61	(9.6)
Class IV	15.16	14.23	(6.1)
SUP	17.44	16.09	(7.7)
Producer Component:			
Tests:	percent		change
Butterfat	3.86	3.86	0.00
Protein	3.10	3.09	(0.01)
Other Solids	5.75	5.75	0.00
Prices:	dollars/lb		percent
Butterfat	2.6143	2.5258	(3.4)
Protein	1.8682	1.6497	(11.7)
Other Solids	0.2519	0.1474	(41.5)
Nonfat Solids	0.6918	0.6204	(10.3)

the last 4 months of 2018. They averaged \$0.7945 per pound in 2017, 8.3 percent below the previous year. Dry whey prices followed a similar pattern as nonfat dry milk, weaker early in the year and slightly stronger near the end, averaging 0.3422 per pound, a drop of 22.9 percent from 2017.

All component prices averaged were down compared to the previous year. The price paid to producers for butterfat averaged \$2.5258 per pound, down 3.4 percent from 2017, but the second highest reported since the Order's inception in 2000. The per-pound annual average protein price was \$1.6497 per pound, the lowest in the Order's history, and a decline of 11.7 percent from 2017. The other solids price averaged \$0.1474 per pound, a drop of 41.5 percent from the previous year. The nonfat solids price averaged \$0.6204 per pound, 10.3 percent below the 2017 price and the lowest since the Order's inception.

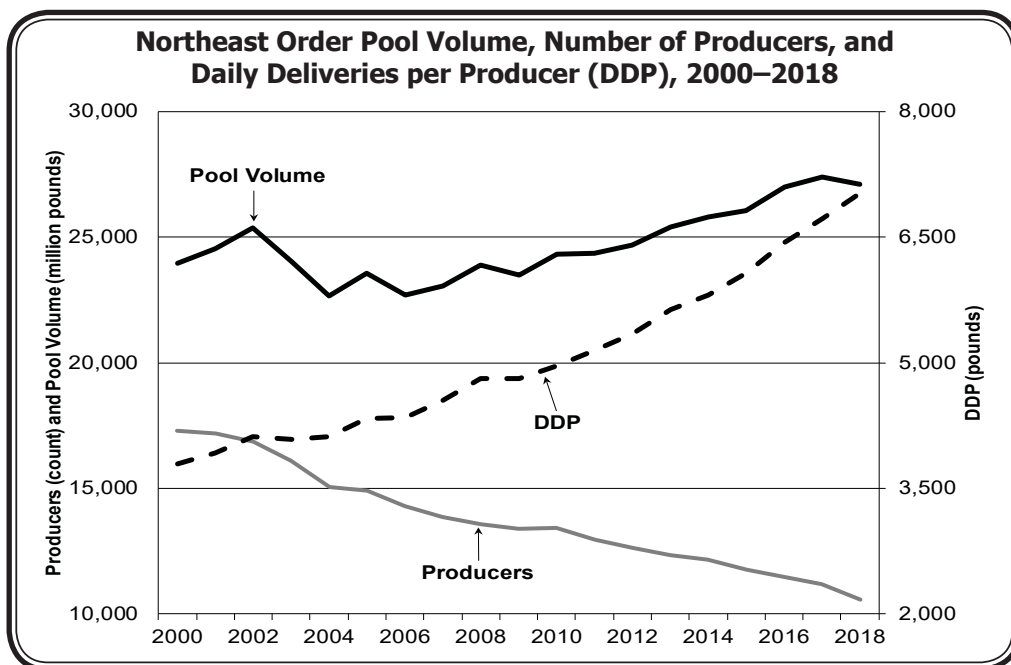
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2018 Northeast Order (continued from page 2)

Lower component prices translated into lower class prices, which were about 6-10 percent below last year's. The Class I price averaged \$18.09 per hundredweight in 2018, down 8.2 percent from the 2017 annual average. The Class II price averaged \$14.80 per hundredweight, a decrease of 7.7 percent from the previous year. The Class III price averaged \$14.61, down 9.6 percent from 2017. The Class IV price dropped to \$14.23, a decline of 6.1 percent. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged \$16.09 per hundredweight, 7.7 percent below the 2017 average.

Producer Tests

The annual average producer butterfat test equaled 3.86 percent in 2018, unchanged from 2017. There were record highs set during the months of January, April, October, November and December; during the last two months, the test topped 4.00 percent for the first time ever under the Order. The annual average producer protein test was 3.09 percent, down 0.01 point from 2017 although record highs were set in January, November, and December. The producer other solids test remained at the record-high average of 5.75 percent, unchanged from the past 3 previous years. ❖



Federal Orders and Government Shutdown

The daily operations and all pricing and pooling functions of the Northeast Federal Milk Order, or any other Federal Milk Marketing Order, continue to operate as usual during a USDA shutdown resulting from a lapse in federal funding. The operations of a Federal Milk Order are individually funded via user fees and therefore are considered excepted. The monthly Class and Component Prices calculated and issued by the Market Information Branch of USDA Agricultural Marketing Service Dairy Program also will continue as scheduled during the shutdown. ❖

Pool Summary for All Federal Orders, January–December, 2017–2018

Federal Order Number	Federal Order Name	Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
		2017	2018	Change	2017	2018	2017	2018
		pounds			percent		dollars per hundredweight	
1	Northeast	27,396,555,819	27,108,941,409	(1.0)	1.26	1.48	17.44	16.09
5	Appalachian	5,801,007,337	5,734,468,520	(1.1)	N/A	N/A	18.79	17.31
6	Florida	2,602,265,099	2,565,407,872	(1.4)	N/A	N/A	20.91	19.37
7	Southeast	5,451,402,443	5,209,311,352	(4.4)	N/A	N/A	19.15	17.75
30	Upper Midwest	32,311,866,428	33,322,551,404	3.1	0.13	0.17	16.30	14.78
32	Central	15,879,252,633	16,604,254,052	4.6	0.17	0.27	16.34	14.89
33	Mideast	20,241,147,953	19,602,920,451	(3.2)	0.39	0.60	16.57	15.21
51	California [^]	N/A	4,117,330,302	N/A	N/A	1.07	N/A	15.18
124	Pacific Northwest	7,660,879,854	8,558,063,981	11.7	(0.02)	0.22	16.16	14.84
126	Southwest	13,092,462,779	13,727,391,349	4.8	0.97	1.13	17.14	15.74
131	Arizona	5,064,797,810	5,132,875,002	1.3	N/A	N/A	16.40	15.12
All Market Total/Average		135,501,638,155	141,683,515,694	4.6	0.48	0.70	17.52	16.02

Price at designated order location.

* Price at 3.5% butterfat.

N/A = Not applicable.

[^] California Milk Marketing Area (F.O. 51) became effective November 1, 2018.

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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	736,635,948	\$9.67	71,232,696.17	
Butterfat	17,071,820	2.5611	43,722,638.20	
Less: Location Adjustment to Handlers			(2,898,160.63)	\$112,057,173.78
Class II— Butterfat	28,740,027	2.5150	72,281,168.11	
Nonfat Solids	40,648,492	0.7911	32,157,022.00	104,438,190.11
Class III— Butterfat	27,429,367	2.5080	68,792,852.40	
Protein	18,707,877	1.1417	21,358,783.18	
Other Solids	33,493,513	0.2775	9,294,449.92	99,446,085.50
Class IV— Butterfat	15,751,821	2.5080	39,505,567.03	
Nonfat Solids	36,631,370	0.7269	26,627,342.85	66,132,909.88
Total Classified Value				\$382,074,359.27
Add: Overage—All Classes				47,722.77
Inventory Reclassification—All Classes				3,382.90
Other Source Receipts	418,688 Pounds			17,687.71
Total Pool Value				\$382,143,152.65
Less: Producer Component Valuations @ Class III Component Prices				(339,178,188.55)
Total PPD Value Before Adjustments				\$42,964,964.10
Add: Location Adjustment to Producers				12,566,505.62
One-half Unobligated Balance—Producer Settlement Fund				783,682.60
Less: Producer Settlement Fund—Reserve				(1,052,982.47)
Total Pool Milk & PPD Value	2,219,364,247 Producer pounds			\$55,262,169.85
Producer Price Differential		\$2.49		
Statistical Uniform Price		\$16.27		

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