

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Peter Fredericks, Acting Market Administrator

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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: NortheastOrder@fedmilk1.com
 website address: www.fmmone.com

April Pool Price Calculation

The April 2019 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.34 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 \$18.53 per hundredweight. The April statistical uniform price was 17 cents per hundredweight above the March price. The April producer price differential (PPD) at Suffolk County was \$1.38 per hundredweight, a decrease of 75 cents per hundredweight from last month.

Product Prices Effect

Commodity product prices were mixed in April. Butter and nonfat dry milk prices were relatively unchanged, dry whey declined 2 cents per pound, and cheese rose almost 11 cents per pound. These changes translated to less than 1-cent changes in the butterfat and nonfat solids prices and a 2-cent drop in the other solids price. The jump in the cheese price was reflected in the nearly 36-cent per pound increase in the protein price, which ultimately translated into the 92-cent per hundredweight increase in the Class III price. The other class price changes were: Class I declined 22 cents, Class II dropped 23 cents, and Class IV increased 1 cent, all on a per hundredweight basis. After 5 months of Class III holding the minimum price, the Class IV price regained that position.

Even though prices for Class I and II declined, a majority of the total milk receipts were assigned to the higher class prices, increasing the SUP. The spread between the higher and lower priced classes continued to tighten, again largely due to the increase in the Class III price, resulting in a lower PPD.

Selected Statistics

Average daily deliveries per producer set a new record high for the Order. The number of producers pooled was the smallest ever reported for the Order. The total producer pooled milk receipts and the Class II and IV volumes were the third highest ever reported for the month of April. ❖

Pool Summary

- A total of 9,991 producers were pooled under the Order with an average daily delivery per producer of 7,578 pounds.
- Pooled milk receipts totaled 2.271 billion pounds, an increase of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.9 percent of total milk receipts, up 0.3 percentage points from March.
- The average butterfat test of producer receipts was 3.90 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	30.9	701,012,716
Class II	24.1	548,071,277
Class III	25.3	574,718,509
Class IV	19.7	447,491,537
Total Pooled Milk		2,271,294,039

Producer Component Prices

	2019	2018
	\$/lb	
Protein Price	1.9890	1.7810
Butterfat Price	2.5375	2.5113
Other Solids Price	0.1990	0.0619

Class Prices

	2019	2018
	\$/cwt	
Class I	19.01	17.35
Class II	16.38	14.03
Class III	15.96	14.47
Class IV	15.72	13.48

Manufactured Dairy Products—2018 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2018 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table highlights selected products' changes from 2018 to 2017 and 2013, for both the U.S. and for milk used in the Northeast Order.

Cheese Production

Nationally, total cheese production (excluding cottage cheese) grew 3.0 percent from 2017. The greatest increases were seen in Swiss (and other cheeses) and American, which both increased 3.6 percent. Other cheeses include such types as Hispanic, feta, Muenster, blue/gorgonzola, brick, Gouda, and some other varieties. Within this category, Hispanic jumped 8.9 percent, feta grew 6.0 percent, and blue/gorgonzola increased 3.6 percent from 2017. Total Italian cheese rose 3.0 percent; ricotta, included in Italian, increased 1.4 percent. Cream/Neufchatel, brick, Gouda, and Muenster all reported declines from the previous year.

When compared to five years earlier, total cheese was up 17.3 percent. American and Italian rose 18.9 and 17.3 percent, respectively. Swiss and other cheeses grew 17.7 percent while cream cheese increased 8.6 percent. Within the other types, Hispanic cheese (which has the highest volume in this category) jumped 29.2 percent from 2013.

In the Northeast, milk used in making cheese rose 1.4 percent from 2017 to 2018. By category, milk used in Swiss (and other cheeses) grew 3.1 percent, cream cheese was up 2.9 percent, and Italian cheese increased 2.7 percent (this figure includes ricotta, which decreased 8.0 percent). American decreased 1.2 percent. Compared to 2013, milk used in cheese rose 12.6 percent with the largest increase reported by the Swiss and other category that grew 24.7 percent in the 5-year period.

Other Products

U.S. butter production increased 2.4 percent from 2017 to 2018; compared to 2013 it was up 1.5 percent. Nonfat dry milk (NFDm) decreased 3.4 percent from the previous year, but rose 20.0 percent from 2013. Yogurt declined 2.0 from the previous year and 6.9 percent from 5 years ago.

Change in Selected Manufactured Dairy Products, 2018

	Total US Production of Manufactured Products		Total Northeast Order Milk Used to Manufacture#	
	2018 from:			
	2013	2017	2013	2017
	(percent change)			
Cheese				
American [^]	18.9	3.6	14.1	(1.2)
Italian ⁺	17.3	3.0	10.1	2.7
Cream and Neufchatel	8.6	(0.4)	10.4	2.9
Other [*]	17.7	3.6	24.7	3.1
Total Cheese(excludes cottage)	17.3	3.0	12.6	1.4
Butter	1.5	2.4	26.6	(8.4)
NFDm [~]	20.0	(3.4)	60.2	(2.3)
Yogurt	(6.9)	(2.0)	(6.8)	(0.4)

Source: USDA, NASS - Dairy Products 2018 Summary; Northeast Order pool report data.

Based on total milk used in manufacture of products.

[^] Includes Cheddar, Colby, Monterey, and Jack.

⁺ Includes ricotta, mozzarella, parmesan, provolone, and other Italian varieties.

^{*} Includes Swiss, Hispanic, Muenster, feta, and other varieties.

[~] For human use; Northeast data includes some whole milk powder.

In the Northeast, milk used in butter dropped 8.4 percent from 2017, but grew 26.6 percent from 2013. Milk used in yogurt decreased a slight 0.4 percent from the previous year and 6.8 percent from 5 years ago. Milk used in the production of dry milk products (mostly nonfat, but does include some whole milk powder) declined 2.3 percent from 2017; compared to 2013, it rose 60.2 percent.

Leading States

The top three cheese-producing states continued to be Wisconsin, California, and Idaho; New York was displaced in the number four position by New Mexico, which was number five in 2017. Wisconsin remained the number one producer of both American and Italian cheese. California continued to lead in Hispanic cheese, butter, unsweetened condensed, ice cream, and nonfat dry milk; it was second in yogurt production. New York remained the largest producer of yogurt, sour cream, and lowfat and creamed cottage cheese. State rankings were not available for many products due to having fewer than 3 handlers reporting.

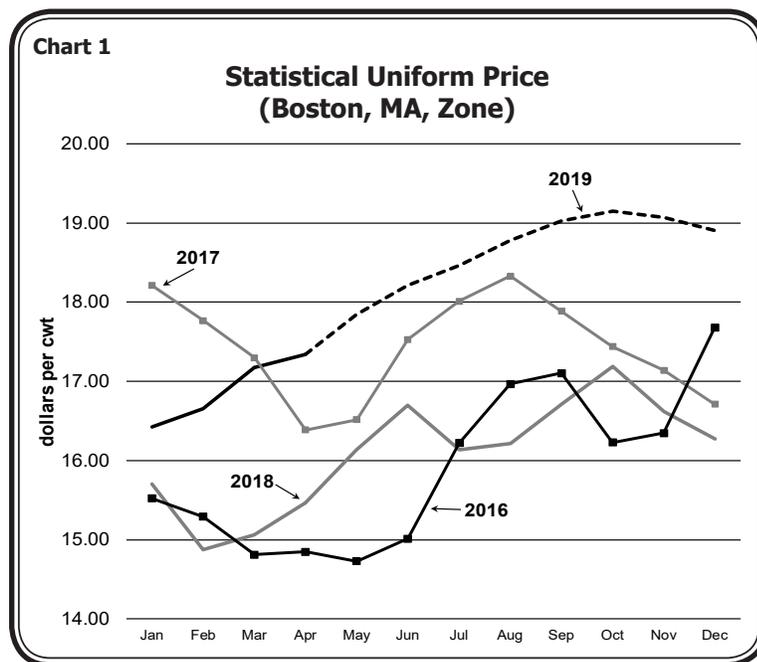
Percent of Total Milk Production

Of U.S. total milk production, 78.4 percent was used in manufactured products (21.6 percent sold for fluid use) in 2018, up from 77.7 percent in 2017 and 74.3 percent in 2013.

In the Northeast Order, the total amount of pooled milk utilized in manufactured products equaled 67.9 percent in 2018; this compares to 67.3 in 2017 and 62.6 in 2013. ❖

Price Outlook

Price strengthening is occurring and is expected to continue throughout the year, while Northeast pool volumes show signs of slowing and contracting. Indications are that the lowest price for the year is in the past. The Statistical Uniform Price (SUP) for the first 4 months of 2019 averaged \$16.90 per hundredweight (cwt) at the Boston, MA, base zone for the Northeast Order, \$1.62 higher than the average for the same period in 2018. Using Chicago Mercantile Exchange (CME) futures prices as of May 14, 2019, the SUP projects to average \$18.09 per cwt for this year. This would be 12.4 percent above 2018. Notably, the same CME futures predict an SUP that would be the highest SUP level of the past 4 years for the May through December portion of the year, averaging \$18.68 per cwt for that period. Current information suggests the SUP would peak in October at \$19.15 per cwt. Chart 1 presents the SUP for the most recent three years and the projected prices for the remainder of 2019.



Butter

A strong butter price continues to bolster the current SUP. National Dairy Product Sales Report (NDPSR) prices, which are used in Federal order pricing, averaged \$2.2684 per pound for February through April. The NDPSR butter price was a record high for the month for each of these months. The butter price has averaged 26 to 30 cents higher than the most recent 5-year average every month this year. May is expected to continue the record-breaking trend. The CME spot butter price on May 14 closed at \$2.3500 per pound. CME butter futures peak at or above \$2.40 per pound from July through October.

Cheese

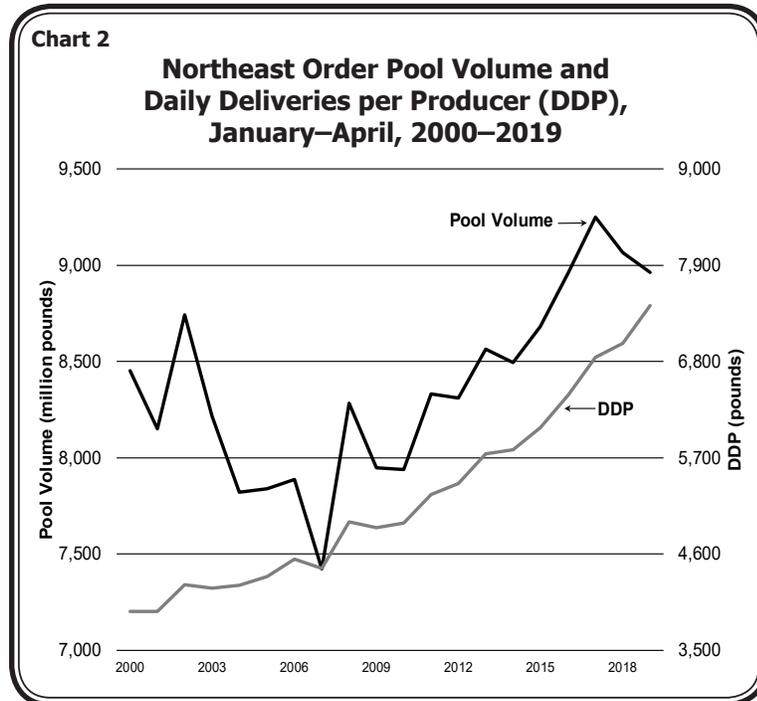
Monthly NDPSR cheese prices, averaged \$1.4915 per pound over the first 4 months of 2019. Monthly prices have averaged roughly 20 cents per pound below the most recent 5-month average for this period. As of May 14, the block and barrel cheese CME spot prices were \$1.66 and \$1.60 per pound, respectively, close to where they were last year on May 15. CME cheese futures peak just above \$1.77 per pound during September and October.

NFDM

Monthly NDPSR Nonfat dry milk (NFDM) prices averaged \$0.9636 for the first four months of 2019. During this period, the NFDM price has averaged 11 cents above its previous 4-year average. The CME Spot price for NFDM on May 14 was \$1.0575, 21 cents above the previous year at this time. CME futures for NFDM climb to \$1.12 per pound by December 2019.

Northeast Pool Volume Eases

Stronger price recovery can be aided if milk supplies relative to demand slow or contract. There continues to be evidence of this currently happening in the Northeast. Chart 2 depicts total pool volumes for the first 4 months of the year since 2000. Of note is that the most recent two years show lower volumes, but levels still characterized as strong by historical standards. Chart 2 also depicts the trend in daily deliveries per producer (DDP). DDP continues to consistently increase, so the decline in total pool volume is likely related to producer exits from the industry. ❖



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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	685,574,631	\$10.30	70,614,186.99	
Butterfat	15,438,085	2.5924	40,021,691.55	
Less: Location Adjustment to Handlers			(2,782,689.09)	\$107,853,189.45
Class II— Butterfat	32,848,159	2.5445	83,582,140.56	
Nonfat Solids	47,366,516	0.8611	40,787,306.94	124,369,447.50
Class III— Butterfat	25,067,544	2.5375	63,608,892.99	
Protein	17,709,559	1.9890	35,224,312.89	
Other Solids	32,978,107	0.1990	6,562,643.34	105,395,849.22
Class IV— Butterfat	15,162,165	2.5375	38,473,993.76	
Nonfat Solids	39,733,232	0.7883	31,321,706.81	69,795,700.57
Total Classified Value				\$407,414,186.74
Add: Overage—All Classes				388,691.18
Inventory Reclassification—All Classes				126,982.53
Other Source Receipts	269,405 Pounds			7,416.70
Total Pool Value				\$407,937,277.15
Less: Producer Component Valuations @ Class III Component Prices				(389,613,334.71)
Total PPD Value Before Adjustments				\$18,323,942.44
Add: Location Adjustment to Producers				12,983,626.68
One-half Unobligated Balance—Producer Settlement Fund				1,012,519.52
Less: Producer Settlement Fund—Reserve				(972,513.10)
Total Pool Milk & PPD Value	2,271,563,444 Producer pounds			\$31,347,575.54
Producer Price Differential		\$1.38		
Statistical Uniform Price		\$17.34		

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