

# 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 2019 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.80 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 \$18.81 per hundredweight. The May statistical uniform price was 46 cents per hundredweight above the April price. The May producer price differential (PPD) at Suffolk County was \$1.42 per hundredweight, an increase of 4 cents per hundredweight from last month.

### Product Prices Effect

All commodity product prices increased in May except dry whey that declined 1 cent per pound. Butter increased 3 cents and nonfat dry milk and cheese each rose 5 cents, all on a per pound basis. These changes translated to a 3-cent increase in the butterfat price, a 5-cent rise in the nonfat solids price, and a nearly 13-cent jump in the protein price. The other solids price dropped 1 cent. All component price changes are on per pound basis.

All class prices rose: Class I was up 66 cents, Class II increased 10 cents, Class III rose 42 cents, and Class IV climbed 57 cents, all on a per hundredweight basis. The spread between the three lowest priced classes was only 19 cents. With overall higher prices, the SUP increased. The proportion of producer milk receipts utilized in the lower-priced classes rose, reducing the 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. Total producer pooled milk receipts were the highest since May 2018. Class IV volume set a new record high for the month of May and topped 500 million for the first time since the Order's inception. The average producer butterfat component test set a new record high for the month. ❖

### Pool Summary

- A total of 9,762 producers were pooled under the Order with an average daily delivery per producer of 7,778 pounds.
- Pooled milk receipts totaled 2.354 billion pounds, an increase of 0.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 29.9 percent of total milk receipts, down 1.0 percentage point from April.
- The average butterfat test of producer receipts was 3.84 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

#### Class Utilization

| Pooled Milk       | Percent | Pounds        |
|-------------------|---------|---------------|
| Class I           | 29.9    | 703,487,434   |
| Class II          | 22.9    | 538,168,183   |
| Class III         | 25.7    | 605,344,416   |
| Class IV          | 21.5    | 506,720,932   |
| Total Pooled Milk |         | 2,353,720,965 |

#### Producer Component Prices

|                    | 2019   | 2018   |
|--------------------|--------|--------|
|                    | \$/lb  |        |
| Protein Price      | 2.1159 | 1.8609 |
| Butterfat Price    | 2.5718 | 2.6239 |
| Other Solids Price | 0.1847 | 0.0742 |

#### Class Prices

|           | 2019   | 2018  |
|-----------|--------|-------|
|           | \$/cwt |       |
| Class I   | 19.67  | 17.69 |
| Class II  | 16.48  | 14.47 |
| Class III | 16.38  | 15.18 |
| Class IV  | 16.29  | 14.57 |

## Component Test Levels by Farm Size

The Northeast Order is one of 7 federal orders that have multiple component pricing, in which the producer's pay price, simply stated, is determined by the quantity of each component times the corresponding price of the component, plus the total volume of milk times the producer price differential associated with the plant location at which the milk was received. Based on average tests reported at pool time, protein, butterfat, and other solids test levels of producer receipts have all increased since 2009. Record level average tests for the statistical uniform price calculation are regularly set for all three components, with a greater degree of increases during the most recent years. With the exception of butterfat in October 2007, any record low averages of components for the pool occurred in 2005 or earlier.

### Overall Upward Trend

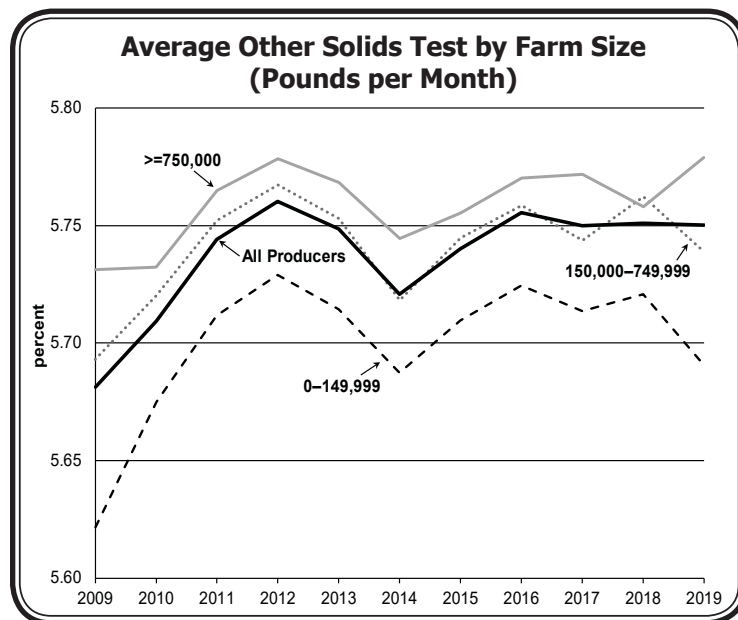
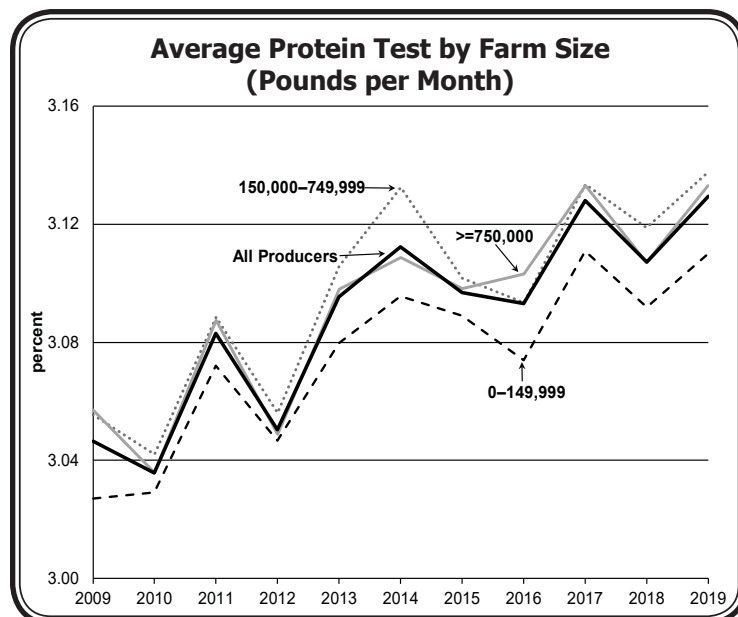
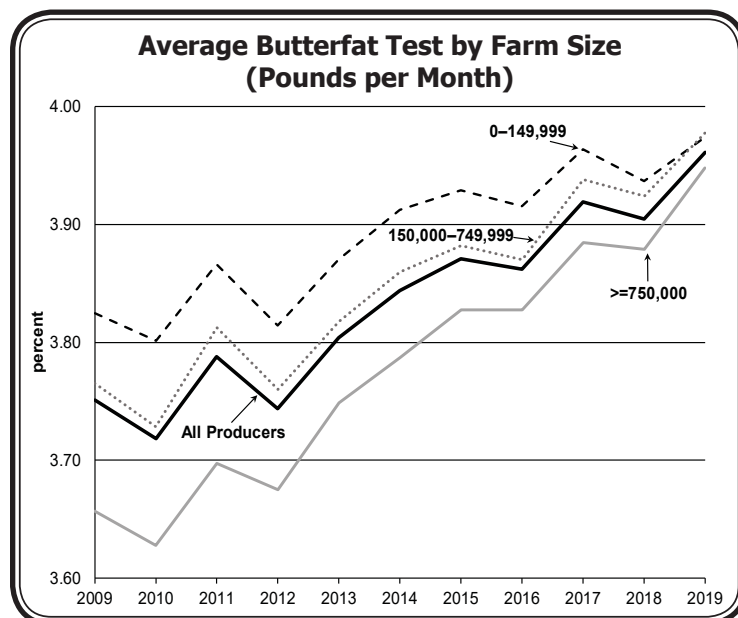
When looking at component levels by different farm size categories, data show that there appear to be fairly consistent differences in the level of components. However, the upward trend in levels has occurred similarly across all farm sizes. Of note is that though all size categories show an increasing trend in butterfat test averages, the spread between categories is shrinking due to higher rates of gains in the larger size categories. Verified payroll data from 2009 through 2019 were used to look at weighted average annual test levels broken out by three farm size categories; below 150,000 pounds per month pooled, between 150,000 and 750,000 pounds per month pooled, and above 750,000 pounds per month pooled. For reference, a farm producing 150,000 pounds of milk per month roughly equates to a 70-cow dairy. A 750,000-pound production farm roughly equates to a 330-cow dairy. The charts present averages for each component, from 2009 through 2019, for the three size categories and the average for all producers.

### Difference in Levels

The results indicate that small differences do exist in the average component levels by farm size. The smallest size category tends to produce the highest levels of butterfat, while the largest size farms produce the lowest butterfat of the three categories. Farms in the largest size category tend to produce more protein on average than the smallest size farms, but less than the middle sized category of farms. The largest size farms average the highest tests of other solids, on average, while smallest size farms average the least of the three categories. Differences may be attributable to herd and business characteristics that are not investigated here.

### Similarities in Trends

Though there are some differences across sizes, all three  
(continued on page 3)



## Component Test *(continued from page 2)*

categories exhibit increasing levels of components over this time period and for the most part, increase and decrease alike from year to year (although most of the increase in other solids tests occurred from 2009 through 2012). There are two implications of this. The first is that regardless of the reason different size farms have different levels of average tests, they

all seem to be affected by year-to-year impacts of prices, economics, and weather and feed conditions, among other things, in similar fashion. Secondly, as record-high levels of components are being set during pool, as mentioned earlier, it appears that all size groups are contributing to those results. ❖

## Trends in Fluid Milk Sales

Nearly 3 years ago, we discussed how higher-fat products were experiencing increases in sales while the overall total sales of fluid milk products in the Northeast Marketing Area (NMA) was declining. This trend of overall decreasing milk sales, but increasing whole milk sales, has continued.

The tables show changes in sales in the NMA by product, proportion of total, and per capita for selected years. Data are derived from pool handlers regulated by the Northeast Order and from nonregulated handlers. A complete breakdown by category of sales from nonregulated handlers is not available, but their total is used in the calculation of all sales in the marketing area.

**Table 2: Proportion of Sales in the Northeast Marketing Area, by Product**

|                          | 2010                     | 2013 | 2016 | 2017 | 2018 |
|--------------------------|--------------------------|------|------|------|------|
|                          | (percent of total sales) |      |      |      |      |
| Whole Milk               | 31.4                     | 31.7 | 35.6 | 37.3 | 38.6 |
| Reduced Fat Milk         | 22.6                     | 23.3 | 22.8 | 22.8 | 22.9 |
| Low Fat Milk             | 19.3                     | 19.4 | 18.0 | 17.3 | 16.4 |
| Fat-free Milk            | 16.6                     | 15.1 | 11.3 | 10.2 | 9.5  |
| Flavored Milk Products   | 5.6                      | 5.6  | 6.1  | 6.0  | 6.0  |
| Organic Milk             | 1.0                      | 1.3  | 2.3  | 2.4  | 2.5  |
| Organic Reduced Fat Milk | 2.7                      | 3.0  | 3.4  | 3.3  | 3.3  |
| Buttermilk/Eggnog/Other  | 0.7                      | 0.6  | 0.7  | 0.7  | 0.7  |

### Sales by Product

Table 1 shows sales by product. Whole milk (conventional and organic, plain and flavored) has increased each year since 2014 (not shown). Sales of whole organic milk have continued to grow, but the increase has slowed from earlier years. Sales of organic reduced fat milk products (reduced 2%, low fat 1%, and fat-free) also have grown over the past 5 years at a slower rate. The lower fat conventional plain and flavored products have all experienced declines in the past 5 years with the lowest fat products facing the largest drops.

**Table 1: Sales in the Northeast Marketing Area, by Product**

| Product                       | 2010             | 2013    | 2016    | 2017    | 2018    |
|-------------------------------|------------------|---------|---------|---------|---------|
|                               | (million pounds) |         |         |         |         |
| Whole Milk                    | 2,740.8          | 2,564.6 | 2,680.4 | 2,749.8 | 2,793.9 |
| Reduced Fat Milk              | 1,971.7          | 1,884.2 | 1,718.2 | 1,679.7 | 1,657.3 |
| Low Fat Milk                  | 1,678.6          | 1,565.5 | 1,355.2 | 1,273.5 | 1,188.9 |
| Fat-free Milk                 | 1,446.9          | 1,218.9 | 847.2   | 755.0   | 683.9   |
| Flavored Milk Products        | 490.9            | 454.2   | 456.2   | 443.3   | 437.4   |
| Organic Milk                  | 91.3             | 106.8   | 169.8   | 179.1   | 183.9   |
| Organic Reduced Fat Milk      | 237.9            | 243.8   | 252.4   | 245.2   | 236.3   |
| Buttermilk/Eggnog/Other       | 57.3             | 52.1    | 49.8    | 53.1    | 50.9    |
| Total From Pool Handlers      | 8,715.5          | 8,090.2 | 7,529.2 | 7,378.8 | 7,232.6 |
| Sales from Non-pool Handlers  | 598.1            | 795.9   | 795.4   | 750.5   | 713.6   |
| Total Sales from All Handlers | 9,313.6          | 8,886.1 | 8,324.6 | 8,129.3 | 7,946.2 |

### Proportion of Sales

Table 2 shows the proportion of sales by product. Whole milk has always held the largest proportion, and it has grown in the past 5 years. Reduced fat remains in second place with relatively little change over the years. Low fat and fat-free proportions have declined fairly consistently since 2013. The proportion of flavored milk and reduced fat products has been somewhat higher in the past 3 years. Organic whole milk's proportion has grown over the years, while organic reduced has leveled out.

### Per Capita Sales

Table 3 shows per capita sales for the NMA and estimated for the United States. Per capita sales have been declining consistently. As depicted in the table, per capita sales in the NMA have declined at a faster rate than the U.S., but are slightly above the national average during the past 2 years. ❖

**Table 3: Total Per Capita Sales, Northeast Marketing Area and Estimated United States**

|                          | 2010                            | 2013  | 2016  | 2017  | 2018  |
|--------------------------|---------------------------------|-------|-------|-------|-------|
|                          | (pounds of fluid milk products) |       |       |       |       |
| Northeast Marketing Area | 173.6                           | 163.2 | 151.6 | 148.2 | 144.7 |
| United States*           | 161.5                           | 163.5 | 152.1 | 147.8 | 143.9 |

\* Estimated data published in USDA's Estimated Fluid Milk Products Sales Report.

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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  | 688,126,382                   | \$11.07                   | 76,175,590.49          |                         |
| Butterfat  | 15,361,052                    | 2.5680                    | 39,447,181.54          |                         |
| Less: Location Adjustment to Handlers                            |                               |                           | (2,742,930.13)         | \$112,879,841.96        |
| Class II— Butterfat  | 32,462,055                    | 2.5788                    | 83,713,147.38          |                         |
| Nonfat Solids  | 46,340,151                    | 0.8578                    | 39,750,581.51          | 123,463,728.89          |
| Class III— Butterfat   | 25,795,330                    | 2.5718                    | 66,340,429.67          |                         |
| Protein  | 18,508,835                    | 2.1159                    | 39,162,843.99          |                         |
| Other Solids   | 34,747,548                    | 0.1847                    | 6,417,872.09           | 111,921,145.75          |
| Class IV— Butterfat  | 16,737,365                    | 2.5718                    | 43,045,155.35          |                         |
| Nonfat Solids  | 44,873,220                    | 0.8386                    | 37,630,682.29          | 80,675,837.64           |
| <b>Total Classified Value</b>                                    |                               |                           |                        | <b>\$428,940,554.24</b> |
| Add: Overage—All Classes   |                               |                           |                        | 9,278.53                |
| Inventory Reclassification—All Classes                           |                               |                           |                        | 157,957.78              |
| Other Source Receipts  | 286,210 Pounds                |                           |                        | 8,915.48                |
| <b>Total Pool Value</b>  |                               |                           |                        | <b>\$429,116,706.03</b> |
| Less: Producer Component Valuations @ Class III Component Prices |                               |                           |                        | (409,303,446.54)        |
| <b>Total PPD Value Before Adjustments</b>                        |                               |                           |                        | <b>\$19,813,259.49</b>  |
| Add: Location Adjustment to Producers                            |                               |                           |                        | 13,500,606.14           |
| One-half Unobligated Balance—Producer Settlement Fund            |                               |                           |                        | 1,111,672.18            |
| Less: Producer Settlement Fund—Reserve                           |                               |                           |                        | (998,635.99)            |
| <b>Total Pool Milk &amp; PPD Value</b>                           | 2,354,007,175 Producer pounds |                           |                        | <b>\$33,426,901.82</b>  |
| Producer Price Differential                                      |                               | <b>\$1.42</b>             |                        |                         |
| Statistical Uniform Price  |                               | <b>\$17.80</b>            |                        |                         |

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