

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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Federal Order No. 1



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June Pool Price Calculation

The June 2019 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.28 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 \$19.10 per hundredweight. The June statistical uniform price was 48 cents per hundredweight above the May price. The June producer price differential (PPD) at Suffolk County was \$2.01 per hundredweight, an increase of 59 cents per hundredweight from last month.

Product Prices Effect

Commodity product price changes were mixed in June. Butter rose 7 cents and nonfat dry milk increased 3 cents, both on a per pound basis. Cheese and dry whey both declined about one cent per pound. These changes resulted in a 9-cent jump in the butterfat price and a 3-cent increase in the nonfat solids price. The 1-cent drop in the cheese price translated to an 11-cent drop in the protein price, while the other solids price declined about 1.5 cents. All component price changes are on per pound basis.

Class price changes also were mixed. Class I increased 65 cents, Class II rose 82 cents, and Class IV was up 54 cents, while Class III decreased 11 cents, all on a per hundredweight basis. With overall higher prices, the SUP increased. Even though the proportion of producer milk receipts utilized in the lower-priced classes rose, the spread between the highest class and the lowest-priced class increased resulting in a higher PPD.

Selected Statistics

Average daily deliveries per producer set a new record high for the month of June. The Class I utilization percentage was the lowest ever under the Order. The Class III volume was the third highest ever for the month of June, while the Class IV volume was the second highest ever for the month. The average producer butterfat component test set a new record high for month. ❖

Pool Summary

- A total of 9,712 producers were pooled under the Order with an average daily delivery per producer of 7,709 pounds.
- Pooled milk receipts totaled 2.246 billion pounds, a decrease of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 28.0 percent of total milk receipts, down 1.9 percentage points from May.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.78 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	28.0	628,220,223
Class II	23.6	531,274,654
Class III	28.7	644,090,803
Class IV	19.7	442,587,466
Total Pooled Milk		2,246,173,146

Producer Component Prices

	2019	2018
	\$/lb	
Protein Price	2.0046	1.7478
Butterfat Price	2.6579	2.6692
Other Solids Price	0.1702	0.1128

Class Prices

	2019	2018
	\$/cwt	
Class I	20.32	18.50
Class II	17.30	15.48
Class III	16.27	15.21
Class IV	16.83	14.91

Shipping Percentage Changed for Fall Months

In April, the Market Administrator received a request from a pool handler to lower the percentage of milk that pool supply plants and cooperative Section 1000.9(c) handlers must deliver to Class I pool distributing plants during the months of September, October, and November. It was requested that the shipping percentages specified in Section 1001.7 (c) (2) be lowered from 20 to 10 percent for the months listed until further notice. Reductions in the required shipping percentage for the stated period have been approved since 2013. In all but one of those years, the approved adjusted shipping percentage was 15 percent. Last year, the shipping percentage was adjusted to 10 percent. Similar to requests since 2013, the requesting handler cited declining Class I sales, a decline in the number of Class I customers seeking to purchase milk for Class I usage, and no instances where Class I needs have not been covered as arguments for their petition. Following receipt of the request, the Market Administrator's office sent a letter to pool handlers inviting them to submit comments, data, or views regarding the request. The office reviewed the comments received and conducted an analysis of milk volumes pooled on the Order and milk utilization.

Monthly pool statistics continue to present a picture of declining Class I utilization for the Northeast Order, though there had been some slowing of this trend the past 3 years; 2019 utilization figures through May are showing evidence of a return to a steeper decline. The Class I utilization for the most recent pool, May 2019, at 703.5 million pounds was the lowest volume for the month in 20 years. At 29.9 percent, Class I utilization in May was the lowest ever for the month and sixth lowest Class I utilization by percent for any month since the Order's inception. In 2000, the year in which the 20 percent fall month shipping percentages were adopted as part of Order Reform, the Class I utilization for the months of September, October, and November averaged 49 percent of the volume of milk pooled during

those months. In 2018, Class I utilization for these same three months averaged 34.6 percent of the total pool—a drop of nearly 15 percentage points (though above the previous year's 34.4 percent for that period).

In 2018, Class I utilization for the September through November period was 18.1 percent below the same period during the first year of the Northeast Order, in 2000, showing how much less Class I has been utilized in recent years compared to when the Order's shipping provisions were first adopted.

USDA National Agricultural Statistics Service *Milk Production* report indicates that some slowdown in milk production has been occurring as the June 18, 2019, report showed the NASS major 23 states were down 0.1 percent. Still, New York continues to outpace the national average with a positive 1.0 percent growth in milk production. New York has been above the NASS major 23 states 9 of the past 12 months. Given recent regional challenges in milk supply and processing capacity, this trend bears watching and may indicate a continuation of the region remaining long on milk. Still, Pennsylvania milk production has been declining by 7 percent or more recently and suggest that there may exist differing market challenges subregionally to consider. In consideration of the impact of weather and/or unfavorable growing conditions earlier this year or other unforeseen marketing issues and conditions, the decision at this time was limited to this year and the next, as opposed to “until further notice” as requested.

After reviewing the data and comments, the Market Administrator's office, as permitted by Section 1001.7(g) of the Northeast Order, decided that the shipping percentage will be reduced from 20 to 10 percent for the months of September, October, and November, for calendar years 2019 and 2020. For additional information, copies of the request, comments, and the decision, see the links on our webpage at www.fmmone.com. ❖

Price Outlook

After almost 2 years, an increasing Statistical Uniform Price (SUP) topped the \$18.00 per hundredweight (cwt) mark, reaching \$18.28. June's price increased \$1.86 per cwt from January's low of \$16.42 per cwt. The SUP for the first six months of 2019 has averaged \$17.28 per cwt at the Boston, MA, base zone for the Northeast Order. Using Chicago Mercantile Exchange (CME) futures prices as of July 10, 2019, the SUP projects to average \$18.26 per cwt for this year. This would be 13.5 percent above 2018. The chart on page 3 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 \$2.3095 per pound from April through June. June's butter price increased to \$2.3663 per pound and was above the previous 5-year average of \$2.21 per pound for July. The CME spot butter price on July 10 closed at \$2.4075 per pound. CME Butter futures range from \$2.35 to \$2.43 per pound, from July through December.

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Price (continued from page 2)

Cheese

Monthly NDPSR cheese prices averaged \$1.5591 per pound over the first six months of 2019. The June 2019 price of \$1.6910 per pound is roughly 8 cents above the previous June price. As of July 10, the block and barrel cheese CME spot prices were \$1.7461 and \$1.6075 per pound, respectively. CME cheese futures through 2019 peak just above \$1.88 per pound during October, which would be about 23 cents higher than last year's peak monthly cheese price that occurred in September 2018.

NFDM

Monthly NDPSR Nonfat dry milk (NFDM) prices average \$0.9854 for the first six months of 2019. During this period, the NFDM price has averaged about 14 cents above its previous four-year average. The CME spot price for NFDM on July 10 was \$1.0375 and CME futures for NFDM climb to a peak of just over \$1.10 per pound in December.

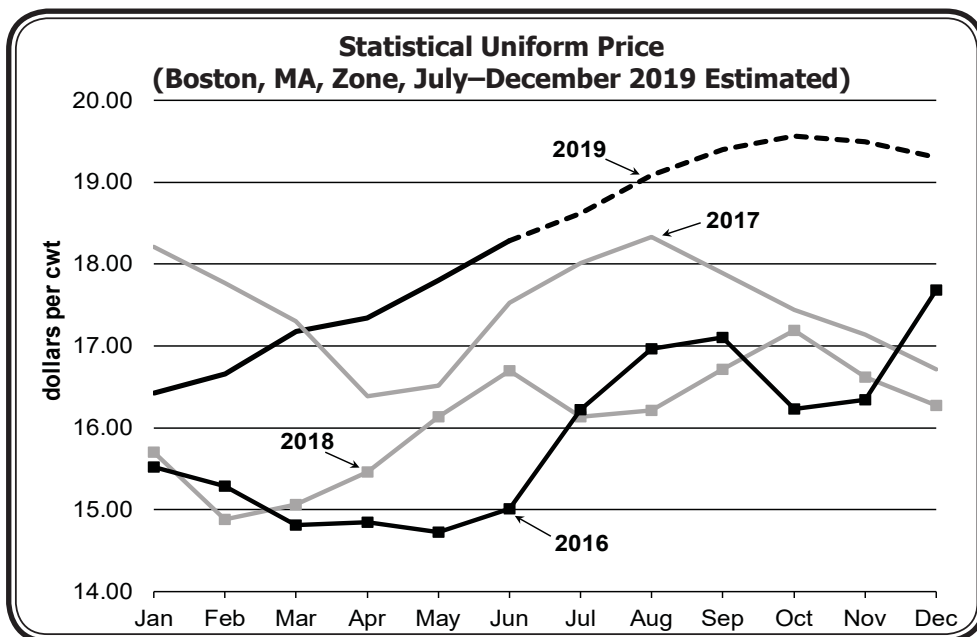
Northeast Pool Volume

Through six months, total Northeast Order pool volume for the year is down about 265 million pounds. This marks the second year in a row that Northeast Order pool volume as a total for this period declined. The decline is at least partially attributable to an accelerated decline in the number of producers pooled on the Order, based on the average number of producers pooled for over the first 6 months. This has coincided with the second largest

year-over-year increase in average daily deliveries per producer for the same period.

Exports

The United States Dairy Export Council (USDEC) reported in July that U.S. dairy exports accounted for 14.7 percent of U.S. milk solids produced for May 2019, down from 17.1 percent last May. Exports accounted for 14.2 percent of U.S. milk solids produced for the January through May, 2019, period, down from 16.8 percent from the same period in 2018. Though lower than last year, the overall volume exported through May places this year on track for the third highest year ever, trailing just 2018 and 2014. According to the USDEC, nearly all the shortfall came from lost sales to China. ❖



Pool Summary for All Federal Orders, January–June, 2018–2019

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2018	2019	Change^	2018	2019	2018	2019
		pounds			percent	dollars per hundredweight		
1	Northeast	13,828,136,453	13,562,910,378	(1.9)	1.24	2.03	15.66	17.28
5	Appalachian	2,932,291,911	2,719,416,766	(7.3)	N/A	N/A	16.91	18.46
6	Florida	1,284,227,250	1,273,768,147	(0.8)	N/A	N/A	19.04	20.56
7	Southeast	2,764,331,329	2,601,656,551	(5.9)	N/A	N/A	17.22	18.81
30	Upper Midwest	16,654,140,274	18,581,244,661	11.6	0.14	0.24	14.55	15.49
32	Central	8,468,924,118	8,710,080,682	2.8	0.11	0.65	14.52	15.90
33	Mideast	10,000,195,680	9,849,820,136	(1.5)	0.40	1.09	14.82	16.34
51	California^	N/A	13,244,595,138	N/A	N/A	0.89	N/A	16.14
124	Pacific Northwest	4,201,137,302	4,431,362,835	5.5	0.06	0.73	14.47	15.98
126	Southwest	6,769,239,468	7,232,764,807	6.8	0.99	1.49	15.41	16.74
131	Arizona	2,671,113,511	2,610,780,867	(2.3)	N/A	N/A	14.66	16.37
All Market Total/Average		69,573,737,296	84,818,400,968	21.9	0.49	1.02	15.73	17.10

Price at designated order location.

N/A = Not applicable.

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

RETURN SERVICE REQUESTED

FIRST CLASS MAIL

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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	613,818,041	\$11.64	71,448,419.97	
Butterfat	14,402,182	2.5959	37,386,624.25	
Less: Location Adjustment to Handlers			(2,451,834.16)	\$106,383,210.09
Class II— Butterfat	31,357,359	2.6649	83,564,225.99	
Nonfat Solids	45,733,126	0.9178	41,973,863.06	125,538,089.05
Class III— Butterfat	25,649,778	2.6579	68,174,544.93	
Protein	19,538,964	2.0046	39,167,807.25	
Other Solids	37,172,992	0.1702	6,326,843.20	113,669,195.38
Class IV— Butterfat	13,463,155	2.6579	35,783,719.70	
Nonfat Solids	39,218,847	0.8665	33,983,130.89	69,766,850.59
Total Classified Value				\$415,357,345.11
Add: Overage—All Classes				203,559.98
Inventory Reclassification—All Classes				233,083.02
Other Source Receipts	115,330 Pounds			4,777.13
Total Pool Value				\$415,798,765.24
Less: Producer Component Valuations @ Class III Component Prices				(383,762,041.13)
Total PPD Value Before Adjustments				\$32,036,724.11
Add: Location Adjustment to Producers				12,968,028.33
One-half Unobligated Balance—Producer Settlement Fund				1,066,159.54
Less: Producer Settlement Fund—Reserve				(920,513.52)
Total Pool Milk & PPD Value	2,246,288,476 Producer pounds			\$45,150,398.46
Producer Price Differential		\$2.01		
Statistical Uniform Price		\$18.28		

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