

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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January Pool Price Calculation

The January 2022 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$22.74 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 \$25.28 per hundredweight. The January statistical uniform price was \$2.25 per hundredweight above the December price. The January producer price differential (PPD) at Suffolk County was \$2.36 per hundredweight, an increase of 23 cents from the previous month.

Product Prices Effect

All commodity prices reported on the National Dairy Product Sales Report increased in January. Butter jumped 55 cents, nonfat dry milk increased 10 cents, and dry whey was up 7 cents, all on a per pound basis. The cheese price rose 14 cents per pound due to a combination of a nearly 12-cent increase in the block price and a 17-cent increase in the barrel price. The commodity price changes translated to increases of 66 cents in the per-pound butterfat price, 10 cents in the nonfat solids price, and 7 cents in the other solids price. The increase in the butterfat price was large enough to offset the gain in the cheese price and resulted in a 24-cent drop in the protein price.

All class prices rose from the previous month: Class I increased 54 cents; Class II rose \$2.99; Class III was up \$2.02; and Class IV jumped \$3.21, all on a per hundredweight basis. For the first time since federal order reform, Class IV was the highest price of all the classes. With higher class prices, the SUP increased and was the highest since October 2014. The Class III price remained the lowest for the month and the spread between the class prices increased, resulting in a higher PPD.

Selected Statistics

Total producer milk receipts were the smallest volume for the month of January since 2014. For the first time since May 2014, average daily deliveries per producer (DDP) did not set a record high for the month; DDP had surpassed the same month previous year every month since June 2014. The average producer butterfat test set a record high for the Order. The producer protein and other solids tests set record highs for the month of January. ❖

Pool Summary

- A total of 8,689 producers were pooled under the Order with an average daily delivery per producer of 8,207 pounds.
- Pooled milk receipts totaled 2.211 billion pounds, a decrease of 1.9 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 31.4 percent of total milk receipts, down 0.4 percentage points from December.
- The average butterfat test of producer receipts was 4.16 percent.
- The average true protein test of producer receipts was 3.22 percent.
- The average other solids test of producer receipts was 5.79 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.4	694,342,680
Class II	22.7	501,693,498
Class III	28.1	622,105,887
Class IV	17.8	392,604,056
Total Pooled Milk		2,210,746,121

Producer Component Prices

	2022	2021
	\$/lb	
Protein Price	2.3563	3.0355
Butterfat Price	2.9567	1.5541
Other Solids Price	0.5249	0.2682

Class Prices

	2022	2021
	\$/cwt	
Class I	22.96	18.39
Class II	22.83	14.18
Class III	20.38	16.04
Class IV	23.09	13.75

Consumer Expenditures on Milk and Dairy

The United States Bureau of Labor Statistics (BLS) conducts a series of surveys across the United States to collect data on consumer spending. These Consumer Expenditure Surveys (CES) provide statistics on expenditures, income, and demographic characteristics of consumers in the United States. This data provides valuable insight into the behavior of consumers. Data is collected from numerous households across the country tracking purchases made. Consumer Unit (CU) is the term used by CES to refer to a household. A CU can be made up of a range of living situations but commonly is defined as a household related by blood, marriage, or adoption. Collected data can be broken down into several different characteristics such as income, geographic regions, age, race, and occupation.

This article will focus mainly on the Food at Home and Dairy categories for expenditures.

The CES defines Food at Home as “expenditures for food at grocery stores (or other food stores) and food prepared by the consumer unit on trips.” The Dairy Products group is composed of two sub-categories, Fresh Milk and Cream and Other Dairy Products. The products contained in the Fresh Milk and Cream category are all fresh milk (items such as buttermilk are included) and any fresh cream (includes table cream, whipping cream, fresh sour cream, and fresh sour cream dressing). The the Other Dairy Products category includes “butter, cheese, ice cream products, yogurt, powdered milk, condensed and evaporated milk, liquid and powdered diet beverages, malted milk, milk

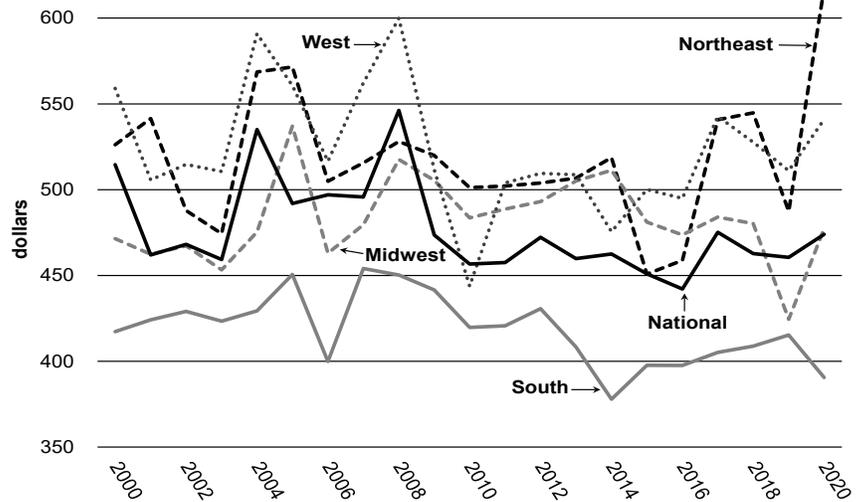
shakes, chocolate milk, and other specified dairy products.” (<https://www.bls.gov/cex/csxgloss.htm>)

All Regions

The CES sorts geographical data into four regions of the country: Northeast, Midwest, South, and West. Similar patterns of dairy expenditures have been observed in all four regions of the United States, with dollar value being the biggest distinguishable difference. Expenditure value differences between regions may be attributed to consumer preferences as well as regional pricing differences. When adjusted for 2020 dollars, the average annual expenditures of dairy products between 2000 and 2020 of a CU were within a range of \$378 to \$617, with a national average of \$477 spent on dairy products annually in the 20-year period. It is important to note the CES does include values of zero if a CU does not report a value for a particular expenditure; this can cause some values to appear lower than expected. Chart 1 displays a relative flat trend nationally with some variability regionally for overall dairy product purchasing when adjusted for 2020 dollar value. The southern region of the U.S. on average spends less annually on dairy than other regions, spending \$391 in 2020 and an adjusted 20-year average of \$419. In contrast, the western area of the U.S. spent on average \$150 more per CU on dairy expenditures than the south in 2020, with an adjusted average of \$523 spent per CU per year between 2000-2020. Dairy Products as a share of total CU (continued on page 3)

Chart 1

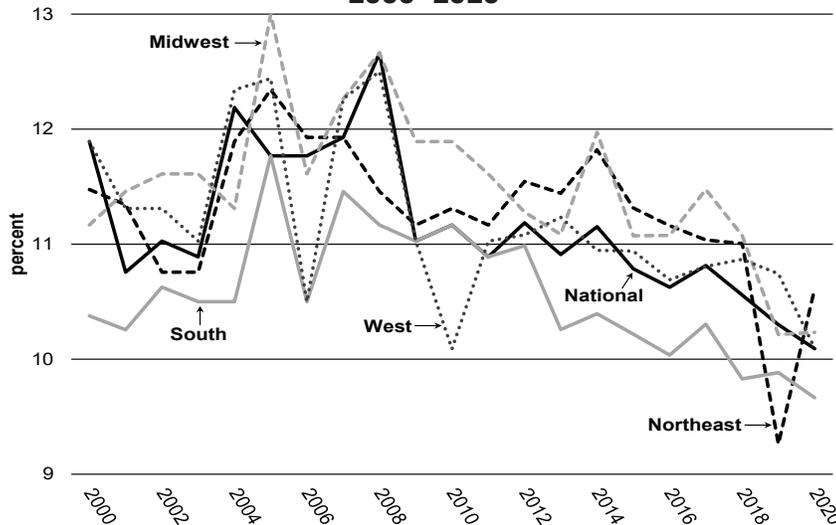
Average Annual CU Dairy Product Expenditures by Region Adjusted to 2020 Dollar Value, 2000–2020



Source: U.S. Bureau of Labor Statistics.

Chart 2

Dairy Products as a Portion of Food at Home Expenditures, 2000–2020



Source: U.S. Bureau of Labor Statistics.

Consumer Expenditures (continued from page 2)

expenditures for all regions have remained within a range between 0.7 and 0.9 percent over the last 20 years; the Midwest on average has had the largest share of dairy products purchased at over 0.8 percent. As shown in Chart 2, Dairy Products Expenditures as a portion of CU Food at Home Expenditures has largely remained between 10 to 12 percent from 2000 to 2020. The national average for the 20-year period was 11 percent, which is repeated in all regions of the US except for the south at 10 percent.

Fresh Milk and Cream as a Share of Average CU Expenditures held steady across all U.S. regions at 0.3 percent between 2001 to 2014, then bounced back and forth from 0.2 to 0.3 percent due to increasing popularity of alternative milks and the Covid 19 pandemic. Fresh Milk and Cream purchases as a portion of Food at Home expenditures also demonstrate this pattern. All four regions of the country had an annual average of 4 percent Fresh Milk and Cream expenditures per CU Food at Home budget from 2001 to 2014, then the Midwest, South, and West dropped to 3 percent in 2015, and eventually the Northeast in 2018. This illustrates that milk increasingly is becoming a smaller portion of household expenditures in the U.S. When adjusted for 2020 dollar values, average Fresh Milk and Cream purchases once again display the 2014-2016 drop after a relatively stable era in the Northeast, South, and Midwest, as shown in Chart 3. As mentioned before, the dollar values are noticeably different between the four regions. The adjusted average annual Fresh Milk and Cream expenditures from 2000-2020 range between \$112 to \$248; each region's average is as follows: Northeast \$179, Midwest \$160, South \$151, West \$189, and the national average at \$168.

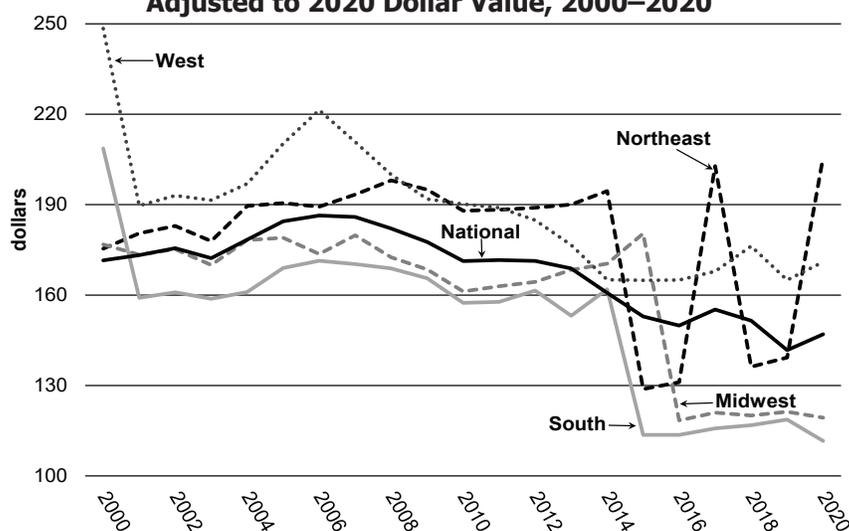
Other Dairy Product Expenditures have remained relatively steady over the past 20 years, making up 0.4 to 0.6 percent of total CU expenditures between 2000-2020. Other Dairy products as a portion of Food at Home Expenditures ranged between 6 to 8 percent over the last 20 years and averaged 7 percent in all US regions except the South at 6 percent. When adjusted for 2020 dollar values, the national annual average for Other Dairy Product Expenditures between 2000 and 2020 was \$301. The 2020 annual average for each region is as follows: Northeast \$412, Midwest \$306, South \$270, West \$370, and the national average at \$327.

Northeast

From the information collected the average consumer unit income before taxes was \$95,329 in the Northeast, 13.1 percent above the national average of \$84,352. The average yearly total expenditures for a Northeastern household were \$68,596, 11.8 percent above the national average. Of this

Chart 3

Average Annual Fresh Milk and Cream Expenditures by Region Adjusted to 2020 Dollar Value, 2000–2020



Source: U.S. Bureau of Labor Statistics.

amount, \$8,294 (12.1 percent) was used to purchase food, specifically \$5,294 was spent on food at home. Brought on by the Covid 19 pandemic, 2020 food at home sales increased over 2019 as a share of total household expenditures (7.5 percent in 2019 to 8.5 percent in 2020). Dairy Product sales had a slight uptick in 2020, as a share of total CU expenditures, to 0.9 percent from 0.7 percent in 2019. An increase in fresh milk and cream purchases help drive the year-over-year gain of dairy products, with the average Northeast CU purchasing \$172 annually of milk and cream in 2020. This is \$28 dollars above the national amount spent on milk and cream and an increase from 0.2 to 0.3 percent of total household expenditures going from 2019 to 2020.

Between the years 2000 to 2014, fresh milk and cream held steady, making up 0.3 percent of Northeast CU total expenditures. However, from 2015 to 2020, the share of fresh milk and cream as a part of total Northeast CU expenditures has fluctuated between 0.3 and 0.2 percent, believed to be brought on by the Covid 19 pandemic and alternative milks taking up a bigger share of the market. The category Fresh Milk and Cream is a component of the Dairy Products as a share of CU expenditures in the Northeast and thus follows the same steady, then slightly volatile, pattern in the years 2015 to 2020, flowing between 0.7 and 0.9 percent due to the aforementioned issues. An increase of Dairy Products as a share of CU expenditures from 0.2 percent in 2019 to 0.3 percent in 2020 directly contributed to Food at Home, as a share of CU expenditures, to increase from 7.5 to 8.5 percent for the same years. The Covid 19 Pandemic had a significant impact on the growth in the Food at Home category as more Americans sought to dine at home. ❖

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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	678,384,562	\$15.46	\$104,878,253.29	
Butterfat	15,958,118	2.2985	36,679,734.22	
Less: Location Adjustment to Handlers			(2,981,145.69)	\$138,576,841.82
Class II— Butterfat	30,545,202	2.9637	90,526,815.17	
Nonfat Solids	44,315,690	1.4344	63,566,425.74	154,093,240.91
Class III— Butterfat	28,937,682	2.9567	85,560,044.36	
Protein	20,031,042	2.3563	47,199,144.24	
Other Solids	35,900,820	0.5249	18,844,340.43	151,603,529.03
Class IV— Butterfat	16,429,979	2.9567	48,578,518.89	
Nonfat Solids	35,394,069	1.4662	51,894,783.98	100,473,302.87
Total Classified Value				\$544,746,914.63
Add: Overage—All Classes				144,637.24
Inventory Reclassification—All Classes				1,339,108.61
Other Source Receipts	37,834			1,781.99
Total Pool Value				\$546,232,442.47
Less: Value of Producer Butterfat	91,870,981	2.9567	(271,634,929.49)	
Value of Producer Protein	71,234,754	2.3563	(167,850,450.84)	
Value of Producer Other Solids	128,082,827	0.5249	(67,230,675.91)	(506,716,056.24)
Total PPD Value Before Adjustments				\$39,516,386.23
Add: Location Adjustment to Producers				12,895,338.80
One-half Unobligated Balance—Producer Settlement Fund				804,169.63
Less: Producer Settlement Fund—Reserve				(1,041,393.32)
Total Pool Milk & PPD Value	2,210,783,955			\$52,174,501.34
Producer Price Differential		\$2.36		
Statistical Uniform Price		\$22.74		

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