

# The Market Administrator's

# BULLETIN

## NORTHEAST MARKETING AREA

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Federal Order No. 1

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### January Pool Price Calculation

The January 2026 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$16.64 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, 3.18 percent protein, and 5.79 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$18.58 per hundredweight. The January statistical uniform price was \$1.03 per hundredweight below the December price. The January producer price differential (PPD) at Suffolk County was \$2.05 per hundredweight, an increase of 24 cents from the previous month.

#### Product Prices Effect

Commodity prices for January: the butter price fell 10 cents, the nonfat dry milk price increased 4 cents, dry whey was up 1 cent, and the cheese price decreased 13 cents, all on a per pound basis. The commodity price changes translated to a 12-cent decrease in the butterfat price, a 4-cent increase in the nonfat solids price, a 1-cent increase in the other solids price, and a 28-cent drop in the protein price, all on a per pound basis.

Class Prices for January: Class I, based on prices in December, dropped \$1.86; Class II decreased 49 cents; Class III fell \$1.27; and Class IV decreased 9 cents, all on a per hundredweight basis. While all Class prices declined in January, the drops were most pronounced in Classes I and III. However, the PPD saw a modest gain due to an increase in Class II utilization of over 60 million pounds. Despite this higher PPD, the significant fall in the Class III price drove the SUP down, finishing more than \$1.00 per cwt lower than in December.

#### Selected Statistics

The Class II utilization and average daily deliveries per producer were the highest volumes in the Northeast Order for the month of January; the total receipts of producer milk was the second largest volume for the month since the creation of the Order. The average producer butterfat tied the record high for the Order, while the average producer protein test set a new record high for the month. ❖

### Pool Summary

- A total of 7,116 producers were pooled under the Order with an average daily delivery per producer of 10,689 pounds.
- Pooled milk receipts totaled 2.342 billion pounds, an increase of 2.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 28.9 percent of total milk receipts, down 1.2 percentage points from December.
- The average butterfat test of producer receipts was 4.56 percent.
- The average true protein test of producer receipts was 3.38 percent.
- The average other solids test of producer receipts was 5.76 percent.

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	28.9	676,396,540
Class II	27.4	641,166,112
Class III	28.9	676,117,233
Class IV	14.8	348,019,516
Total Pooled Milk		2,341,699,401

#### Producer Component Prices

	2026	2025
	\$/lb	
Protein Price	2.1768	2.3267
Butterfat Price	1.4525	2.9460
Other Solids Price	0.4448	0.5384

#### Class Prices

	2026	2025
	\$/cwt	
Class I	21.45	23.63
Class II	13.92	21.58
Class III	14.59	20.34
Class IV	13.55	20.73

## Understanding the New Pricing Standard

Recent Federal Milk Marketing Order (FMMO) price announcements reflect a new standard for the Statistical Uniform Price and Class Prices. Historically, these prices were quoted based on milk containing 2.99 percent protein and 5.69 percent other solids. Under the new FMMO modernization rules, specifically the changes starting in December, the standard has shifted to 3.18 percent protein and 5.79 percent other solids. This adjustment is the direct mathematical result of updating the Skim Component Factors.

### The Role of Skim Component Factors

To understand the new numbers, it is necessary to examine how FMMOs define a hundredweight of milk. The formulas split every 100 pounds of milk into two distinct components: 3.5 pounds of butterfat and the remaining 96.5 pounds of skim milk. It is important to realize that the changes in the new order are specific to the skim bucket.

While the standard for butterfat remains fixed at

3.5 percent, the USDA has recognized that modern skim milk contains higher solids than previous formulas assumed. Consequently, the Skim Component Factors were raised: protein increased from 3.1 to 3.3 percent, and other solids increased from 5.9 to 6.0 percent.

### Calculating the New Standard

Because a hundredweight of standard milk contains 3.5 pounds of fat, the remaining 96.5 pounds is skim milk. The new pricing standards are derived by applying the updated skim factors strictly to this 96.5 percent skim portion:

Protein: 3.3 percent (Skim Factor) X 0.965 = 3.18 percent

Other Solids: 6.0 percent (Skim Factor) X 0.965 = 5.79 percent

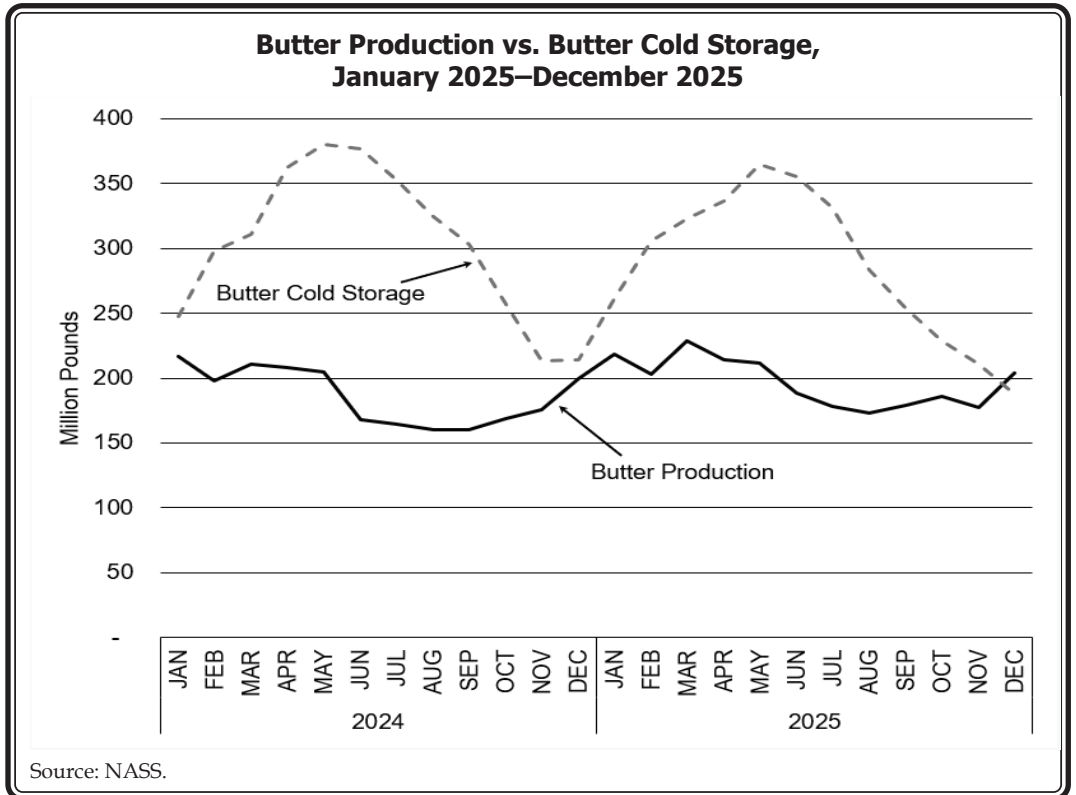
These new figures ensure that the announced price per hundredweight accurately reflects the higher component levels inherent in today's milk production. ❖

## 2025 Butterfat Journey

The U.S. dairy market has undergone a shift regarding butterfat over the past twelve months. Following a multi-year period where butterfat traded at a premium, frequently exceeding \$3.0000 per pound, the market has experienced a rapid correction. In January 2025, the butterfat price averaged approximately \$2.9460 per pound as reported by USDA Agricultural Marketing Service (AMS). By January 2026, this figure had adjusted downward to roughly \$1.4525 per pound, representing a nearly 50 percent decline in value year-over-year. This correction is not attributable to a collapse in consumer demand, but rather a convergence of several factors.

### Production Surge Meets Anticipated Capacity

Throughout 2025, national milk production steadily increased, reaching a total of 231.5 billion pounds,



as reported by the USDA National Agricultural Statistics Service (NASS), on an average daily basis, this represents a 2.8 percent increase over the previous year (adjusted for the 2024 leap year). This strong production signal was driven largely by the

(continued on page 3)

## 2025 Butterfat Journey (continued from page 2)

industry's anticipation of new manufacturing capacity coming online, particularly for protein-centric products like cheese and whey. Producers expanded herds and output to fill this expected processing void. However, this volume increase had an unintended secondary effect, by ramping up milk production for protein, the industry simultaneously flooded the market with butterfat, creating a surplus that the domestic market could not absorb at a premium price.

### Component Maximization

The impact of this volume surge was compounded by record-level components. The period of high butterfat prices incentivized a strong supply response at the farm level. Producers optimized feed rations and genetics

stabilizing of the U.S. dairy herd size, this efficiency has resulted in a surplus of milk fat that has outpaced domestic demand. The market signaled for increased production, and the industry delivered, resulting in a saturation of the domestic supply.

### The Price Paradox

Recent data presents economic signals that are in contrast with current butterfat prices. Monthly butter production in 2025 has consistently exceeded 2024 levels (butter production totaled 127 million pounds more than 2024), and cold storage inventories have simultaneously tightened as reported by NASS. This divergence suggests that demand has increased significantly.

Under normal conditions, these demand signals would drive prices higher. The fact that prices remain

suppressed indicates that retailers and export buyers are increasing purchases specifically because the price is low.

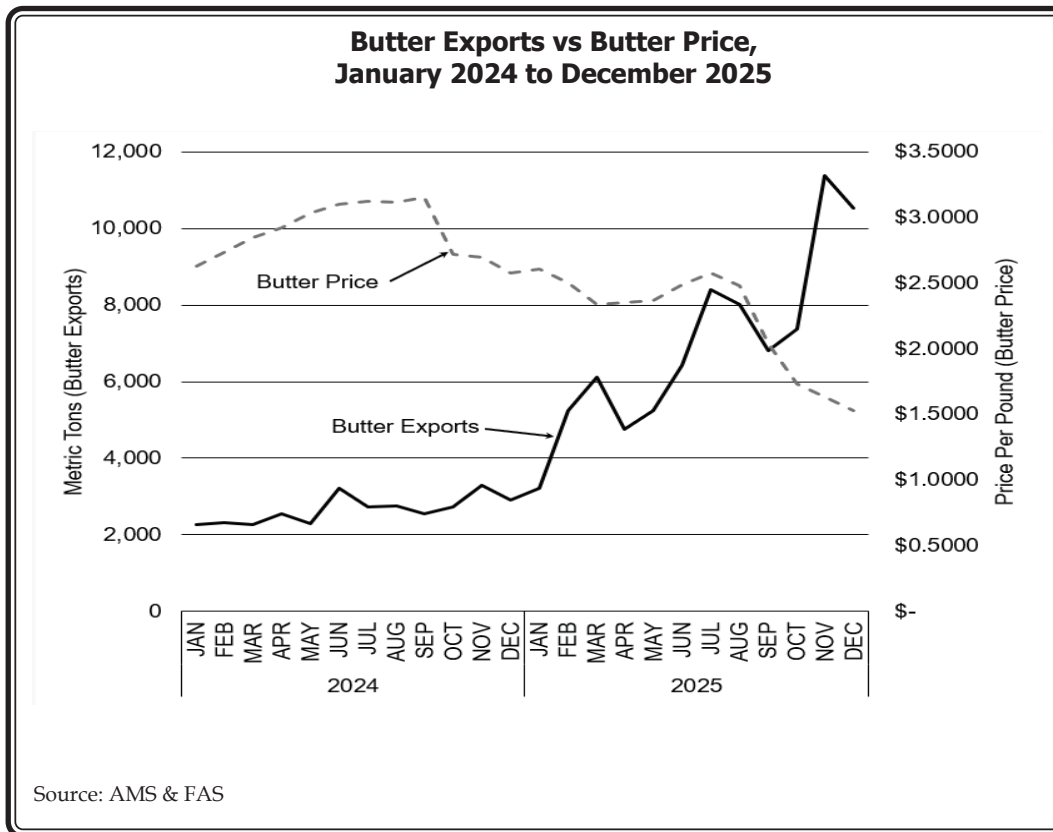
### The Shift to Exports

A critical factor in maintaining this low-price equilibrium is the U.S. dairy industry's transition from a net importer to a net exporter of butterfat. As domestic production swelled throughout 2025, the U.S. market reached saturation, necessitating the increased development of international channels to clear the additional production. By November 2025, the

to maximize component yield. Consequently, national butterfat tests have reached historical highs, in the Northeast Order the average producer butterfat has continued to set new highs nearly every month. January 2026 and December 2025 tied for the highest butterfat percent at 4.56 percent, while five years back the record high was 4.08 percent in January 2020.

When combined with an increase and recent

U.S. was exporting 14.1 percent of its total monthly butter production, compared to 4.1 percent in November 2024, as reported by NASS and Foreign Agricultural Service (FAS). Due to a saturated domestic market, U.S. prices were forced to correct downward to below export parity levels. This price reset was the mechanism that allowed nearly one-sixth of U.S. butter production to leave the country, preventing inventory build-up. ❖





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### Computation of Producer Price Differential and Statistical Uniform Price\*

		Product Pounds	Price per cwt. / lb.	Component Value	Total Value
Class I	Skim Milk	660,349,680	\$16.27	\$107,438,892.94	
	Butterfat	16,046,860	1.6431	26,366,595.67	
Less:	Location Adjustment to Handlers			(4,981,248.29)	\$128,824,240.31
Class II	Butterfat	35,489,734	1.4595	51,797,266.78	
	Nonfat Solids	58,063,321	0.9817	57,000,762.22	108,798,029.00
Class III	Butterfat	34,356,977	1.4525	49,903,509.15	
	Protein	22,810,044	2.1768	49,652,903.81	
	Other Solids	38,756,023	0.4448	17,238,679.07	116,795,092.03
Class IV	Butterfat	20,819,110	1.4525	30,239,757.37	
	Nonfat Solids	31,362,541	0.9433	29,584,284.92	59,824,042.29
<b>Total Classified Value</b>					<b>\$414,241,403.63</b>
Add:	Value for 60(e) through 60(i)				(127,802.84)
	Other Source Receipts	399,930			
<b>Total Pool Value</b>					<b>\$414,113,600.79</b>
Less:	Value of Producer Butterfat	106,712,681	1.4525	(155,000,169.25)	
	Value of Producer Protein	79,112,932	2.1768	(172,213,030.43)	
	Value of Producer Other Solids	134,858,386	0.4448	(59,985,010.11)	(387,198,209.79)
<b>Total PPD Value before Adjustments</b>					<b>\$26,915,391.00</b>
Add:	Location Adjustment to Producers				20,989,387.78
	One-half Unobligated Balance - Producer Settlement Fund				1,090,499.83
Less:	Producer Settlement Fund - Reserve				(982,242.26)
<b>Total Pool Milk &amp; PPD Value</b>					<b>\$48,013,036.35</b>
	<b>Producer Price Differential</b>		<b>\$2.05</b>		
	<b>Statistical Uniform Price</b>		<b>\$16.64</b>		