

The Market Administrator's

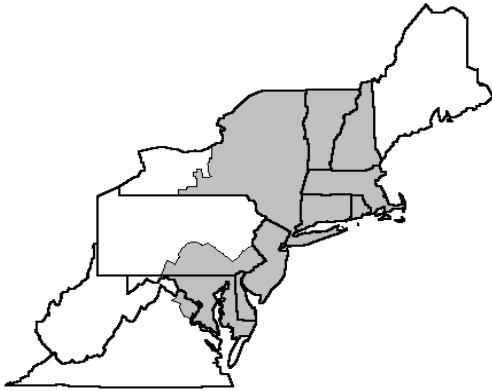
BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

December 2013

Federal Order No. 1



To contact the Northeast Marketing Area offices:

Boston, MA: phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; Albany, NY: phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; Alexandria, VA: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; website address: www.fmmone.com

December Pool Price Calculation

The December 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$21.79 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 \$23.15 per hundredweight. The December statistical uniform price was 51 cents per hundredweight above the November price. The December producer price differential (PPD) at Suffolk County was \$2.84 per hundredweight, an increase of 39 cents per hundredweight from last month.

Product Prices Effect

During December, all prices for products used in calculating component prices rose except dry whey, which declined slightly. All class prices increased from the previous month: Classes I and III, only slightly, but the Class II price rose 90 cents per hundredweight and the Class IV price jumped \$1.03 per hundredweight. Even though utilization declined in both Classes I and II, the increase in Class IV utilization and the overall higher prices in all classes resulted in an increase in the SUP. This was the highest uniform price ever for the month of December and the highest for 2013.

Records Set

Total pooled milk receipts were the second highest ever for the month of December. Daily deliveries per producer set a record as the highest ever for the month. Class I volume was the lowest ever for the month of December. The volume of milk used in Class II was less than the same month of the previous year, but it was the second highest volume ever for the month of December. Class III volume in December was the third highest ever for the month; only 2001 and 2002 volumes (both over 600 million pounds) were greater.

The producer butterfat test was the highest ever for the month of December and tied last month as the highest ever for the Order since its inception. The producer protein test also was the highest ever for the month and the second highest ever for the Order. ❖

Pool Summary

- A total of 12,295 producers were pooled under the Order with an average daily delivery per producer of 5,600 pounds.
- Pooled milk receipts totaled 2.134 billion pounds, an increase of 3.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 38.2 percent of total milk receipts, a decrease of 2.8 percentage points from November.
- The average butterfat test of producer receipts was 3.90 percent.
- The average true protein test of producer receipts was 3.18 percent.
- The average other solids test of producer receipts was 5.71 percent. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 38.2 | 814,457,060 |
| Class II | 22.2 | 473,843,172 |
| Class III | 27.3 | 582,676,205 |
| Class IV | 12.3 | 263,371,566 |
| Total Pooled Milk | | 2,134,348,003 |

Producer Component Prices

| | 2013 | 2012 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 3.5390 | 3.3113 |
| Butterfat Price | 1.7672 | 1.7276 |
| Other Solids Price | 0.3826 | 0.4758 |

Class Price Factors

| | 2013 | 2012 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 23.62 | 24.64 |
| Class II | 21.66 | 18.30 |
| Class III | 18.95 | 18.66 |
| Class IV | 21.54 | 17.83 |

2013 Northeast Order Statistics Summarized

During 2013, the volume of milk received from producers shipping to handlers regulated under the Northeast Order was the largest since the Order's inception in 2000. The uniform price finished the second highest on record. The year ended with 182 less producers than at the end of 2012. Annual average daily deliveries per producer (DDP) equaled 5,638 pounds, an increase of 5.6 percent from 2012. The accompanying table compares selected pool statistics for 2012 and 2013.

Class Utilization Changes

The total volume of milk pooled rose 3.2 percent from 2012. Comparisons have been adjusted for leap year.

Class I utilization averaged 37.4 percent in 2013, a decrease of 2.3 percentage points from the previous year; the total volume of milk used in Class I declined 2.7 percent and was the smallest ever for the Order. Class II volume increased 2.9 percent, resulting in overall utilization of 25.9 percent, unchanged from 2012. The growth in Greek-style yogurt that largely has been the driving force behind the substantial increases in the Class II volume during the past three years seems to have slowed somewhat (see article on Class II Utilization).

Class III pounds rose 10.6 percent with utilization averaging 25.4 percent, up 1.7 percentage points. The amount of milk used in Class IV grew 9.8 percent and accounted for an annual average of 11.3 percent utilization, up 0.6 percentage points.

Class and Component Prices

Commodity prices for cheese and nonfat dry milk rose while butter and dry whey declined during 2013. Even so, commodity prices were still higher than in most years and resulted in higher than average component prices and higher class prices.

The Class I price averaged \$22.09 per hundredweight in 2013, \$1.38 (6.7 percent) above the 2012 annual average and the second highest ever for the Order. The Class II price averaged \$19.42 per hundredweight, \$2.78 and 16.7 percent higher than the previous year; it also was the second highest ever. The Class III price averaged \$17.99, up \$0.55 and 3.2 percent from 2012; it was the third highest on record. The Class IV price jumped \$3.04, an increase of 19.0 percent, and averaged \$19.05 per hundredweight, setting a new record high.

Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston), averaged \$20.25 per hundredweight, the second highest since the Order's inception. During 2013, the blend averaged over \$20.00 per hundredweight 7 months, compared to only 3 months in 2012.

The price paid to producers for butterfat averaged \$1.6634 per pound, 3.5 percent lower than in 2012. The per-pound annual average protein price was \$3.3010 per pound (third highest on record), up 8.5 percent from 2012. The other solids price declined 0.8 percent and averaged \$0.4029 per pound, also third highest ever. The nonfat solids price jumped 32.6 percent, averaged \$1.5234 per pound, and set a record high.

Producer Tests

The annual average producer butterfat test equaled 3.77 percent in 2013, up 4 percentage points from last year, and set a new record. Records were set during each month except January and July of 2013. The annual average producer protein test was 3.08 percent, up 2 percentage points from 2012, and also set a record high. Records were set in 4 months and tied in 5 months during the year. The producer other solids test decreased 2 percentage points to 5.73 percent, tied for second highest annual average. ❖

Northeast Order Pool Statistics, 2012-2013

| Pool Statistics | 2012 | 2013 | 2012-13 Change |
|---------------------|------------------------|----------|-------------------|
| | million pounds | | percent |
| Class I | 9,801.9 | 9,507.9 | (2.7) |
| Class II | 6,410.3 | 6,578.7 | 2.9 |
| Class III | 5,848.3 | 6,449.5 | 10.6 |
| Class IV | 2,634.8 | 2,883.8 | 9.8 |
| Total | 24,695.3 | 25,419.9 | 3.2 |
| | pounds | | |
| DDP | 5,341 | 5,638 | 5.6 |
| | utilization percentage | | change |
| Class I | 39.7 | 37.4 | (2.3) |
| Class II | 25.9 | 25.9 | 0.0 |
| Class III | 23.7 | 25.4 | 1.7 |
| Class IV | 10.7 | 11.3 | 0.6 |
| | dollars/cwt | | percent |
| Class I | 20.71 | 22.09 | 6.7 |
| Class II | 16.64 | 19.42 | 16.7 |
| Class III | 17.44 | 17.99 | 3.2 |
| Class IV | 16.01 | 19.05 | 19.0 |
| SUP | 18.63 | 20.25 | 8.7 |
| Producer Component: | | | |
| Tests: | percent | | change |
| Butterfat | 3.73 | 3.77 | 0.04 |
| Protein | 3.06 | 3.08 | 0.02 |
| Other Solids | 5.75 | 5.73 | (0.02) |
| Prices: | dollars/lb | | percent |
| Butterfat | 1.7230 | 1.6634 | (3.5) |
| Protein | 3.0426 | 3.301 | 8.5 |
| Other Solids | 0.4063 | 0.4029 | (0.8) |
| Nonfat Solids | 1.1485 | 1.5234 | 32.6 |

Class II Utilization Growth Stabilizes

In 2010, a notable increase (nearly 9 percent) in milk used for Class II purposes occurred in the Northeast Order. The driving force behind this largely was the growth in Greek-style yogurt. Significant increases in the yogurt category (includes both regular and Greek-style) continued for the next 2 years resulting in growth in Class II utilization of 10.2 and 10.1 percent in 2011 and 2012, respectively. During 2013, Class II usage finished only 2.4 percent higher than last year as the growth in yogurt has continued, but at a lower rate of 5.5 percent, compared to double and triple-digit increases in the 3 prior years. Based on the National Agricultural Statistics Service *Dairy Products* publication, U.S. yogurt production through November 2013 projects to finish out with an increase of 5.6 percent over 2012.

Chart 1 shows Class II utilization for 2009-2013. The increase in overall volume is clearly depicted as is the seasonal usage pattern associated with the products that make up Class II as a whole.

Growth in Yogurt

Northeast Order milk used in making yogurt (regular and Greek-style) has grown at a higher rate than any other product categorized in Class II. For the years 2010, 2011, and 2012, yogurt grew annually 51.5, 161.9, and 41.4 percent, respectively; it rose 5.5 percent for 2013, similar to the national average. It appears the Northeast was the place where innovators in the Greek-style yogurt industry first set up operations. Many plants manufacturing this type of yogurt have

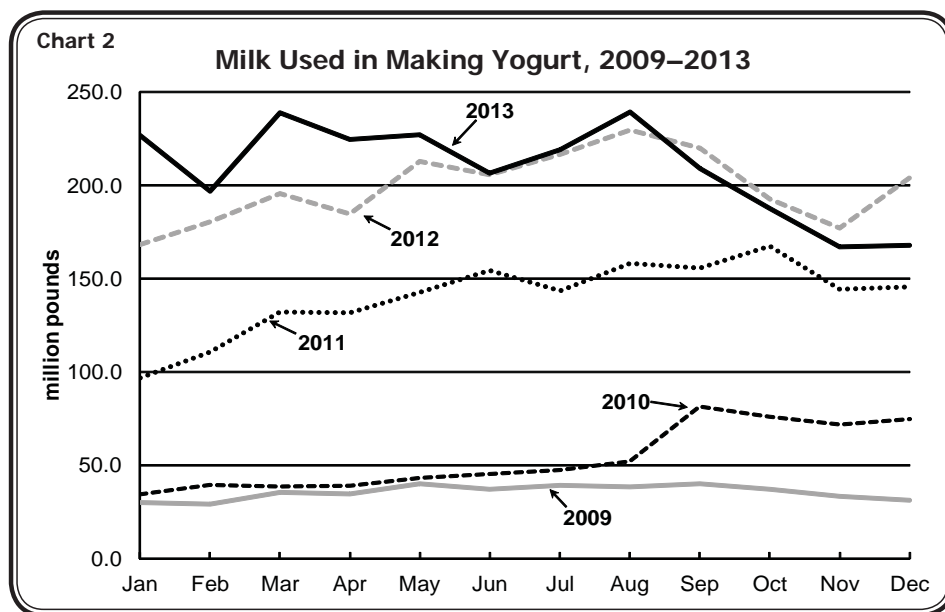
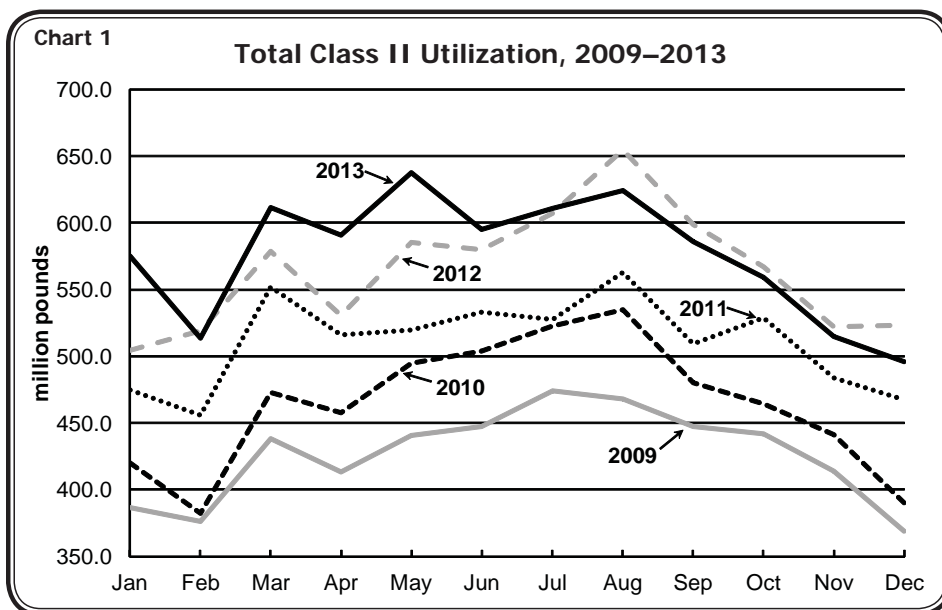
begun operating in other areas of the country as the Northeast as leveled off. National yogurt production has risen 8.9, 2.3, and 3.4 percent, respectively for 2010, 2011, and 2012, and as mentioned above, should average about 5.6 percent higher for 2013.

Chart 2 shows milk used in yogurt for the years 2009-2013. In addition to the obvious large increases in total usage, seasonality appears to be more prevalent in the past 2 years. Industry representatives have confirmed that Greek-yogurt demand does drop off during the fall but picks up again in the spring.

Other Class II Products

Other Class II products tend to have consistent seasonal patterns. For example, ice cream and frozen desserts usage peak in summer months and drop off significantly in the late fall and winter months. Overall, milk used in this category has varied but has been on the decline in recent years. Sour cream usage is fairly constant throughout the year, peaking in the late fall as holidays approach, and then dropping off after. Overall, this category also has been on the decline for the past couple of years.

Packaged cream products (heavy, whipping, etc.) tend to have noticeable increases in October and November, again in preparation for holidays. Cottage cheese milk usage remains level throughout the year with slight increases in late summer and declines in late fall. Ricotta tends to spike in the spring (just prior to Easter) and then again in November (prior to Christmas). ❖





MARKET ADMINISTRATOR
302A Washington Avenue Ext.
Albany, NY 12203-7303

PRESORTED
FIRST-CLASS MAIL
U.S. Postage
PAID
Albany, NY
Permit 1011

RETURN SERVICE REQUESTED

FIRST CLASS MAIL

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, political beliefs, genetic information, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Stop 9410, Washington, DC 20250-9410 or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.

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 | 797,796,602 | \$18.56 | 148,071,049.33 | |
| Butterfat | 16,660,458 | 1.6311 | 27,174,873.04 | |
| Less: Location Adjustment to Handlers | | | (2,726,126.69) | \$172,519,795.68 |
| Class II— Butterfat | 27,765,005 | 1.7742 | 49,260,671.84 | |
| Nonfat Solids | 41,234,668 | 1.7789 | 73,352,350.90 | 122,613,022.74 |
| Class III— Butterfat | 25,756,017 | 1.7672 | 45,516,033.23 | |
| Protein | 18,452,459 | 3.5390 | 65,303,252.43 | |
| Other Solids | 33,062,035 | 0.3826 | 12,649,534.59 | 123,468,820.25 |
| Class IV— Butterfat | 13,046,338 | 1.7672 | 23,055,488.51 | |
| Nonfat Solids | 23,131,576 | 1.7680 | 40,896,626.36 | 63,952,114.87 |
| Total Classified Value | | | | \$482,553,753.54 |
| Add: Overage—All Classes | | | | 197,711.21 |
| Inventory Reclassification—All Classes | | | | 88,165.05 |
| Other Source Receipts | 1,901,842 Pounds | | | 93,186.64 |
| Total Pool Value | | | | \$482,932,816.44 |
| Less: Producer Component Valuations @ Class III Component Prices | | | | (433,567,189.76) |
| Total PPD Value Before Adjustments | | | | \$49,365,626.68 |
| Add: Location Adjustment to Producers | | | | 11,317,733.44 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 964,485.20 |
| Less: Producer Settlement Fund—Reserve | | | | (978,349.66) |
| Total Pool Milk & PPD Value | 2,136,249,845 Producer pounds | | | \$60,669,495.66 |
| Producer Price Differential | | \$2.84 | | |
| Statistical Uniform Price | | \$21.79 | | |

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