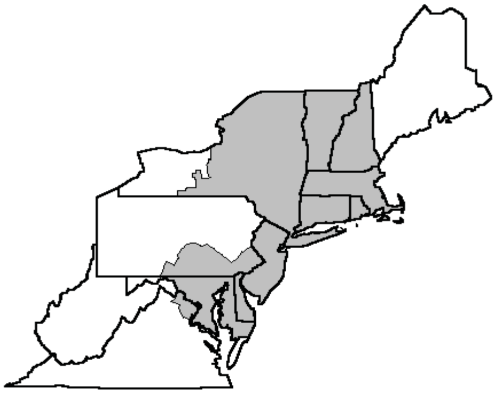

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

May 2014 Federal Order No. 1

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May Pool Price Calculation

The May 2014 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $25.24 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 $25.90 per hundredweight. The May statistical uniform price was 22 cents per hundredweight below the April price. The May producer price differential (PPD) at Suffolk County was $2.67 per hundredweight, an increase of $1.52 per hundredweight from last month.

Product Prices Effect

During May, all product prices declined except butter. As a result, all component prices decreased except the butterfat, which rose 15 cents per pound from last month. All class prices decreased from the previous month except the Class I price (based on market values before the modest decline) that rose 82 cents per hundredweight and set a record as the highest ever since the Order's inception. The Class II price dropped 30 cents per hundredweight. The Class IV price declined 69 cents per hundredweight, while the Class III price fell $1.74 and was below the Class IV price. With mostly declining prices, the SUP decreased but for the second month in a row was above $25.00 per hundredweight. The spread between the classes grew somewhat, resulting in a higher PPD.

Records Set

The SUP set a record-high for the month of May and was the second-highest ever since the Order's inception. The Class I price was the highest on record for the Order and all class prices were the highest for the month of May. Class I volume continued its downward trend and, for the first time ever, May's volume was less than 800 million pounds. The producer butterfat test set a new record-high for the month of May. The producer protein test tied with 2008, 2009, and 2013 as the highest for the month.❖

Pool Summary

- A total of 12,049 producers were pooled under the Order with an average daily delivery per producer of 5,987 pounds.
- Pooled milk receipts totaled 2.236 billion pounds, an increase of 0.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 34.6 percent of total milk receipts, an increase of 0.2 percentage points from April.
- The average butterfat test of producer receipts was 3.70 percent.
- The average true protein test of producer receipts was 3.03 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	34.6	774,820,756
Class II	24.3	543,656,075
Class III	26.1	582,877,693
Class IV	15.0	334,896,533
Total Pooled Milk		2,236,251,057

Producer Component Prices

	2014	2013
	$/lb	
Protein Price	3.9553	3.3597
Butterfat Price	2.2721	1.7884
Other Solids Price	0.4897	0.3887

Class Price Factors

	2014	2013
	$/cwt	
Class I	27.72	21.01
Class II	24.44	18.43
Class III	22.57	18.52
Class IV	22.65	18.89

Prices: Record First Half, Second Half Softening

Agricultural Marketing Service (AMS) National Dairy Product Sales Report (NDPSR) prices for cheese and nonfat dry milk have softened since their highs in April and March, respectively—product price levels that pushed the Northeast Order uniform price to an all time high of $25.46 dollars per hundredweight (cwt) for April 2014. AMS product prices are used in federal order class price formulas that ultimately establish a minimum uniform price. The accompanying chart presents the average weekly price levels for AMS block Cheddar cheese, nonfat dry milk (NFDM), butter, and dry whey since the beginning of 2014.

Some Perspective

Though AMS prices for cheese and NFDM steadily have declined after hitting their peaks, prices for butter and dry whey have risen or remained strong throughout the year. Before looking ahead, to get a perspective on the level of prices to expect as prices soften in the second half of 2014, let's take a look back at price levels during the recent stretch of strong milk prices. The uniform price at Boston has been above $19.32 per cwt for 21 straight months since September 2012, averaging $21.34 per cwt over that period. The average weekly product prices during that period are block Cheddar cheese, $1.91 per pound, butter $1.68 per pound, NFDM $1.74 per pound, and dry whey $0.61 per pound. The most recent (week of June 7) AMS product prices for cheese, NFDM, butter, and dry whey are all still above the average of weekly AMS product prices during that period.

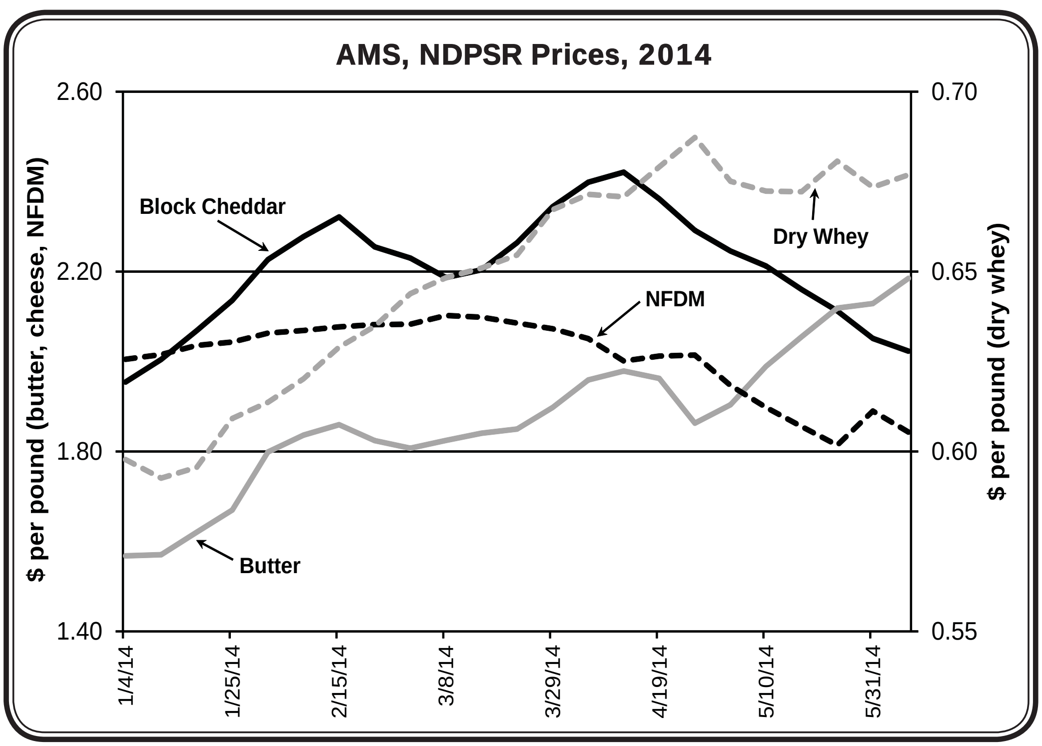
Now Looking Ahead

To look ahead, we'll use Chicago Mercantile Exchange (CME) commodity futures prices for December 2014, as settled on June 16, 2014. CME prices track fairly close to NDPSR prices, so the use of CME futures prices can be a reasonable estimate of where those prices are expected to head in light of current market factors. Those prices currently suggest that all four commodities (cheese, butter, NFDM, and dry whey) will finish the year below their June 7 levels. However, when compared to the average product prices from the strong price period since September 2012, when the uniform price remained above $19.32, it suggests that cheese matches the average from that period and butter will be roughly 30 cents higher, while NFDM and dry whey are 9 cents and 6 cents lower, respectively. These CME commodity futures price levels project a uniform price at Boston of $21.52 per cwt, the lowest of the year, for the month of December 2014. Current market expectations do predict some softening of milk price levels, but still at relatively high levels.

Market Trends

Milk production has been increasing, but at a modest rate. Milk production for the top-23 milk producing states was up 1.2 percent in April over the previous April. In fact, the average year-over-year change in milk production for the past 12 months has been 1.2 percent. Some analysts claim that last winter's cold temperatures are still having an impact on production as Minnesota and Wisconsin experienced declines of 2.7 and 0.3 percent, respectively, while New York and Pennsylvania were up a slight 0.3 and 0.1 percent, respectively. Gains have been stronger in western states. Strong margins eventually should lead to higher milk production growth. In April, the average returns over feed costs were $13.85 per cwt, as calculated using the 2014 Farm Bill margin protection formula. That is more than double over the previous year.

Exports have remained very strong, and were equivalent to 17.7 percent of U.S. milk production in March, on a total solids basis. The combination of modest milk production gains with steady domestic sales and record exports are supporting milk prices at historically high levels, and current information suggests this will be the case during the second half of 2014.❖



Top Producing Counties—Northeast and Nationally

Northeast Highlights

In 2013, the top ten counties in terms of milk pooled on the Northeast Order accounted for 33.5 percent of all milk pooled during the year, the same percent as in 2012. Pooled milk receipts do not necessarily account for all milk produced in the county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures.

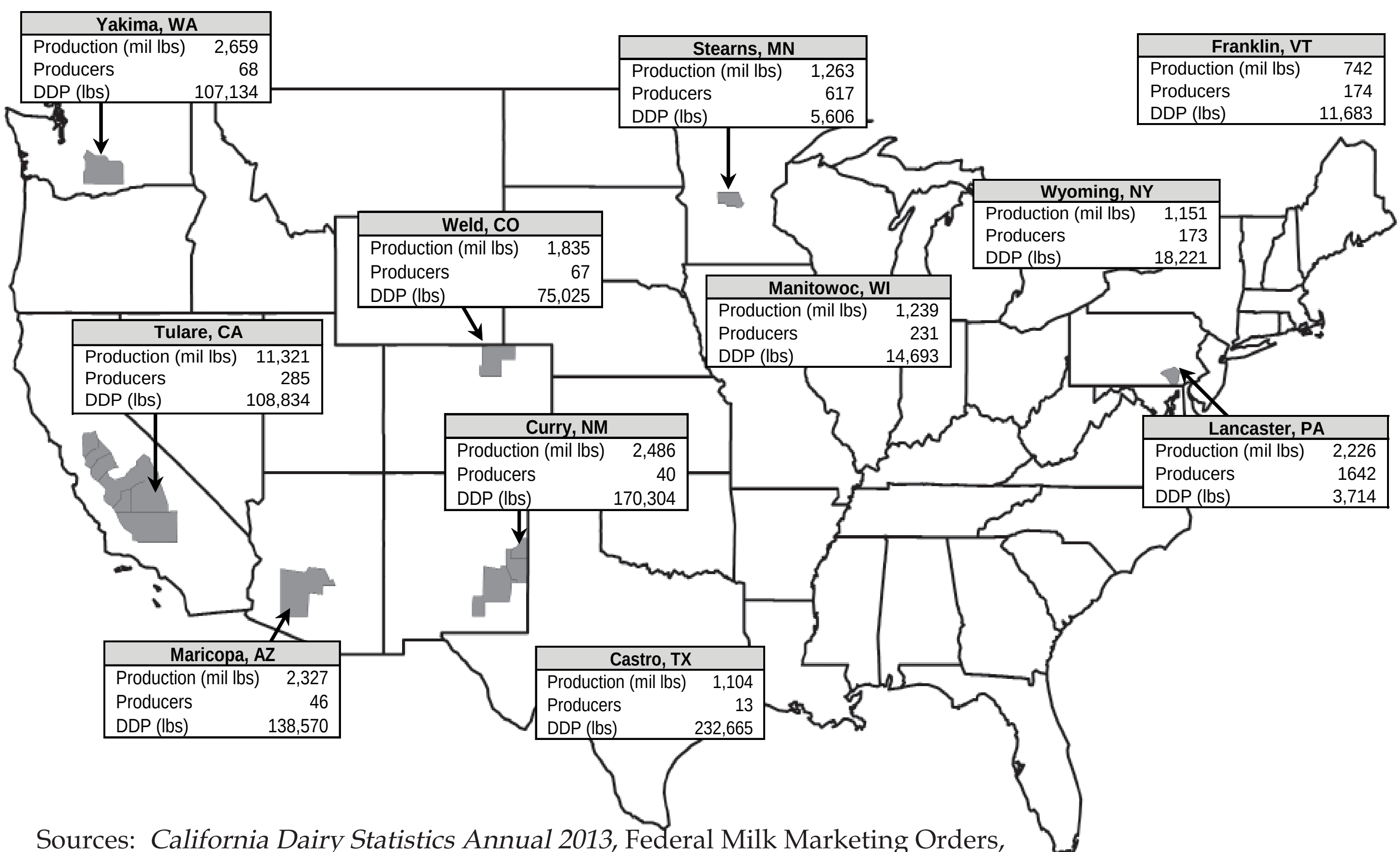
Since the Northeast Order's inception, Lancaster County, PA, has led all counties, accounting for 8.8 percent (2.226 billion pounds) of total milk pooled on the Order in 2013. Lancaster's pooled production consistently has been 2.4 to 3.0 times the level of the second-ranked county, Cayuga County, NY, which had 928 million pounds and has ranked second since 2009. Rounding out the top five were Franklin County (in PA and VT) and St. Lawrence County, NY. Wyoming County, NY, ranked sixth on the Order, but a large portion of milk produced in that county is pooled on other orders—the Western New York State Order and the Mideast Federal Order. Adding the non-Order 1 milk to the total moves Wyoming to the largest milk producing county in New York.

Comparison to Nation

Nationally, there are about 15 counties (shaded on the map) that account for one quarter of all the milk produced in the country. Seven of these counties are in California; the only county in the Northeast in the top 15 is Lancaster County, PA.

Highlighted boxes for 11 selected counties contain 2013 total production (in million pounds) for the county, the number of producers as of December 2013, and the average daily deliveries per producer (DDP) for the county. The counties chosen are the largest for the states shown. These counties were selected to show the variation in producer numbers and DDP. For example, Lancaster County in Pennsylvania has over 16 times the number of producers than Cayuga County, NY, but only one-seventh the DDP.❖

Milk Production, Number of Producers, and Average Daily Deliveries Per Producer in Selected U.S. Counties, 2013



Sources: *California Dairy Statistics Annual 2013*, Federal Milk Marketing Orders, and Western New York State Milk Marketing Order.

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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	760,159,895	$20.70	157,353,098.27	
	Butterfat	14,660,861	2.2115	32,422,494.10	
Less:	Location Adjustment to Handlers			(2,655,966.03)	$187,119,626.39
Class II—	Butterfat	30,561,459	2.2791	69,652,621.22	
	Nonfat Solids	46,783,852	1.8956	88,683,469.87	158,336,091.09
Class III–	Butterfat	24,910,830	2.2721	56,599,896.85	
	Protein	17,674,077	3.9553	69,906,276.72	
	Other Solids	33,299,378	0.4897	16,306,705.41	142,812,878.98
Class IV–	Butterfat	12,711,488	2.2721	28,881,771.88	
	Nonfat Solids	29,345,867	1.6919	49,650,272.35	78,532,044.23
Total Classified Value					**$566,800,640.69**
Add:	Overage—All Classes				73,470.06
	Inventory Reclassification—All Classes				96,987.48
	Other Source Receipts	637,490	Pounds		32,844.86
Total Pool Value					**$567,003,943.09**
Less:	Producer Component Valuations @ Class III Component Prices				(519,402,283.85)
Total PPD Value Before Adjustments					**$47,601,659.24**
Add:	Location Adjustment to Producers				11,957,570.36
	One-half Unobligated Balance—Producer Settlement Fund				1,109,960.15
Less:	Producer Settlement Fund—Reserve				(944,265.59)
Total Pool Milk & PPD Value		2,236,888,547	Producer pounds		**$59,724,924.16**
	Producer Price Differential		**$2.67**		
	Statistical Uniform Price		**$25.24**		

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