

The Market Administrator's

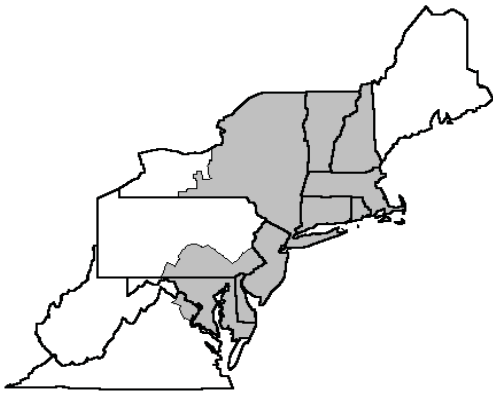
BULLETIN

NORTHEAST MARKETING AREA

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July 2017

Federal Order No. 1



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July Pool Price Calculation

The July 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.01 per hundredweight (cwt) 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 \$18.69 per cwt. The July statistical uniform price was 48 cents per cwt above the June price. The July producer price differential (PPD) at Suffolk County was \$2.56 per cwt, an increase of \$1.47 per cwt from last month.

Product Prices Effect

All commodity product prices decreased from the previous month except butter that jumped almost 20 cents per pound. Cheese dropped nearly 9 cents, dry whey fell 4 cents, and nonfat dry milk decreased about 1.5 cents, all on a per pound basis. These changes resulted in a 24-cent jump in the butterfat price, but declines of 4 cents in the other solids price and 1.5 cents nonfat solids price. Because of the considerable increase in the butterfat price, which is a factor in the protein price formula, the protein component price fell nearly 53 cents. The butterfat price was the highest ever for July while the protein price was the lowest ever for the month.

All class prices increased except Class III due to the lower protein price that resulted in a 99-cent drop. The Class I price increased \$1.28, Class II jumped \$1.33, and Class IV rose 71 cents per cwt, respectively. The Class I and II prices were set in advance using higher commodity prices in June. In addition, the Class II price benefitted from the higher butterfat price in July, as did the Class IV price, both of which incorporate the current month's butter price into their respective formulas. The higher prices caused a widening of the spread between the highest and lowest class prices and resulted in a higher SUP and substantially higher PPD than has occurred since the end of 2015.

Highlights

The total volume of producer milk receipts set a new record high for the month of July. Class I volume topped the previous year for the third month in a row. The average producer butterfat and protein tests set new record highs for July. ❖

Pool Summary

- A total of 11,239 producers were pooled under the Order with an average daily delivery per producer of 6,618 pounds.
- Pooled milk receipts totaled 2.306 billion pounds, a decrease of 1.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 29.6 percent of total milk receipts, down 1.1 percentage points from June.
- The average butterfat test of producer receipts was 3.72 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	29.6	682,600,515
Class II	24.7	568,558,989
Class III	28.2	650,501,397
Class IV	17.5	404,149,873
Total Pooled Milk		2,305,810,774

Producer Component Prices

	2017	2016
	\$/lb	
Protein Price	1.2248	1.9112
Butterfat Price	2.9456	2.5964
Other Solids Price	0.2599	0.0774

Class Price Factors

	2017	2016
	\$/cwt	
Class I	19.84	16.95
Class II	17.48	15.16
Class III	15.45	15.24
Class IV	16.60	14.84

Manufactured Dairy Products—Northeast Order Contrasts with U.S.

The total utilization of milk in the Northeast Order is up 2.6 percent for the first 6 months of 2017, compared to the same period in 2016. Overall Class I usage is down 2.1 percent for the same period, although this decline has been somewhat mitigated in the past few years.

The manufacturing classes (II, III, and IV) have all reported increases for the first 6 months of 2017. This article compares the milk used for specific products within these classes based on handlers' reporting of how milk is used (in their plants or to the plants they supply) to national data for the end products produced as reported by the National Agricultural Statistics Service in their *Dairy Products* monthly report. All comparisons have been adjusted for leap year in 2016. The accompanying table highlights selected products' changes from 2016 to 2017 for the January-June period.

Class II

Class II utilization has increased a slight 0.6 percent for the first 6 months of 2017. The ice cream category is up a slight 0.1 percent, yogurt increased 0.8 percent, and sour cream declined 3.6 percent. Nationally, total ice cream manufactured is up 0.3 percent, yogurt is down 0.4 percent, and sour cream is up 2.4 percent. Cottage cheese is down considerably both in the Northeast and nationally. The one category to show significant growth in the Northeast is milk used to make ricotta cheese, which jumped 11.9 percent. Nationally, ricotta is included with Italian cheese. Packaged cream milk usage rose 3.7 percent in the Northeast; *Dairy Products* does not report this as a manufactured item.

Class III

Northeast Order Class III utilization rose 6.3 percent for the January-June period. American cheese increased 1.4 percent, cream cheese dropped 3.1 percent, Italian (not including ricotta) rose 6.7 percent, and Swiss and other-type cheeses jumped 38.5 percent. Adding milk used in ricotta to Italian results in an overall increase in Italian cheese milk usage of 7.0 percent. Nationally, Italian cheese manufactured grew only 1.8 percent while American cheese production was up 4.7 percent. Total cheese milk usage (excluding cottage) rose 6.5 percent in the Northeast Order. Nationally, total cheese production increased 3.3 percent for the first 6 months of 2017.

Class IV

Milk used in Class IV increased 5.8 percent for the period in 2017. Usage in butter grew 20.4 percent

Change in Selected Products—Northeast Order Utilization* vs. U.S. Dairy Products Manufactured, January–June, 2016 and 2017

Product	Percent Change	
	Northeast	U.S.
Ice Cream	0.1	0.3
Sour Cream	(3.6)	2.4
Yogurt	0.8	(0.4)
American Cheese	1.4	4.7
Italian Cheese**	7.0	1.8
Total Cheese^	6.5	3.3
Butter	20.4	(1.2)
Dried Products~	4.6	3.3

* Milk and cream products utilized by pool plants or transferred by pool plants to non-regulated plants for manufacturing selected dairy products.

** Includes ricotta.

^ Excludes cottage cheese; includes cream cheese, American, Italian, Swiss and other varieties.

~ Includes nonfat dry milk and dry whey (and whole milk powder in the Northeast).

and dried milk products (includes such products as nonfat and whole dry milk and dry whey) rose 4.6 percent. Nationally, butter production declined 1.2 percent for the same period while nonfat dry milk increased 2.9 percent and dry whey rose 4.1 percent.

The total minimum price class – other uses – as defined in Section 1000.40 of the Order has risen 7.6 percent for the 6-month period in 2017. It is included as manufactured milk for total calculations.

Percent of Total Milk Production

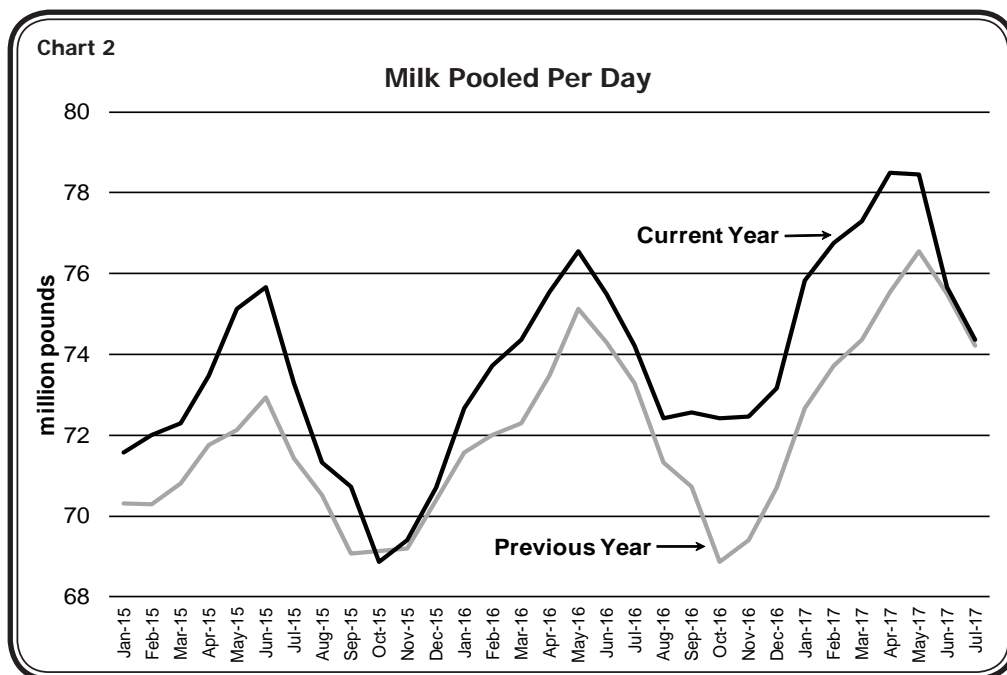
Of U.S. total milk production, 76.9 percent was used in manufactured products (23.1 percent sold for fluid use) in 2016. Data for 2017 is not available yet. In the Northeast Order, the total amount of pooled milk utilized in manufactured products equaled 66.9 percent in 2016 (33.1 percent for fluid use). For the first 6 months of 2017, the total pooled volume used in manufacturing was 68.3 percent, compared to 67.3 percent for the first 6 months of 2016. ❖

Pool Volume Growth Slowing

During July, 2.3 billion pounds were pooled on the Northeast Order. It marks the 21st consecutive month in which a record for the respective month was set. That period included months in which pool volume grew by almost 4.5 percent over a record volume the previous year. Since 2000, on average, annual Northeast pool (continued on page 3)

Pool Volume *(continued from page 3).*

volume increased 0.08 percent year-over-year, ranging from a decline of 5.7 percent in 2004 (some depooling contributed to the decline that year) to an increase of 4 percent in 2005. Only 4 of 16 years through 2016 had a year-over-year decline in pool volume. Through July, 2017 is up 2.3 percent over the same period in 2016. Though it is not atypical for pool volumes to increase (the last decline was in 2009), growth in 2016 and 2017 has been well above average and is a reflection of both milk availability in the region and demand for milk by plants in the Northeast.

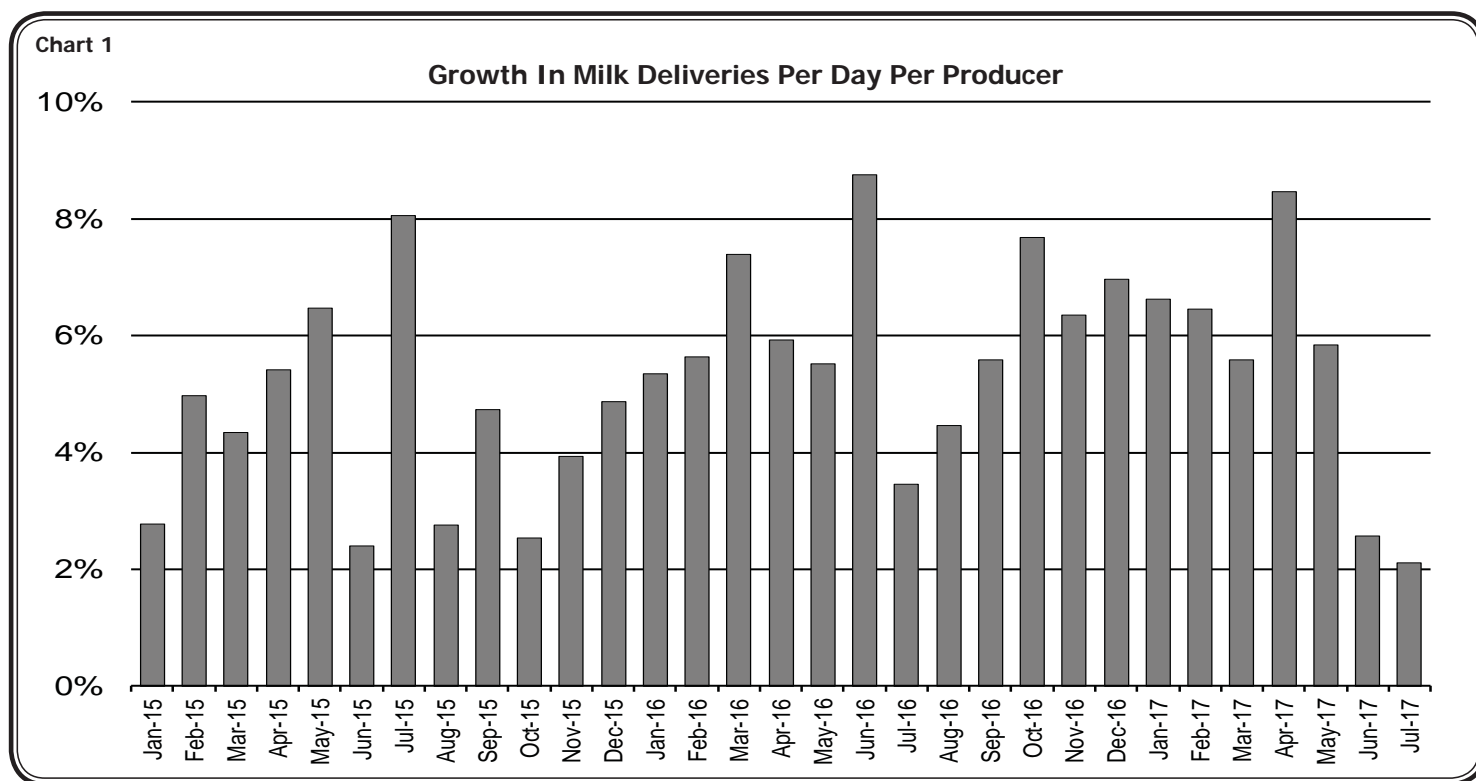


Some Slowing of Pool Volume

Chart 1 presents average daily pool volume during the current year versus the previous year from January 2015 to present. The large gap between the lines from September 2016 on reflects the recent period of strong milk production and pool volumes. However, during the most recent two months, milk pooled on the Order only increased 0.31 and 0.22 percent in June and July, respectively. Though not a contraction, it is the lowest increase since the last time the pool volume declined, in October 2015, and may reflect plant capacity limits

along with ability of plants to profitably process and sell final products.

Additionally, average daily deliveries per producer (DDP) also have declined. July DDP equaled 6,618 pounds. Though still a record for the month of July, year-over-year growth in DDP barely topped 2 percent, the smallest increase since mid-2014. Chart 2 presents year-over-year growth in DDP since January 2015. A slowing of milk production in the region could ease the stress on the market to some degree. ❖



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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	667,907,157	\$10.57	70,597,786.49	
Butterfat	14,693,358	2.7537	40,461,099.92	
Less: Location Adjustment to Handlers			(2,595,459.06)	\$108,463,427.36
Class II— Butterfat	32,695,571	2.9526	96,536,942.92	
Nonfat Solids	48,776,986	0.8233	40,158,092.53	136,695,035.45
Class III— Butterfat	25,759,509	2.9456	75,877,209.73	
Protein	19,672,030	1.2248	24,094,302.37	
Other Solids	37,366,004	0.2599	9,711,424.41	109,682,936.51
Class IV— Butterfat	12,537,152	2.9456	36,929,434.95	
Nonfat Solids	35,624,054	0.7240	25,791,815.11	62,721,250.06
Total Classified Value				\$417,562,649.38
Add: Overage—All Classes				126,156.16
Inventory Reclassification—All Classes				304,023.67
Other Source Receipts	144,365 Pounds			7,157.31
Total Pool Value				\$417,999,986.52
Less: Producer Component Valuations @ Class III Component Prices				(372,031,651.76)
Total PPD Value Before Adjustments				\$45,968,334.76
Add: Location Adjustment to Producers				13,134,486.50
One-half Unobligated Balance—Producer Settlement Fund				1,073,362.04
Less: Producer Settlement Fund—Reserve				(1,143,731.84)
Total Pool Milk & PPD Value	2,305,955,139 Producer pounds			\$59,032,451.46
Producer Price Differential		\$2.56		
Statistical Uniform Price		\$18.01		

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