

The Market Administrator's

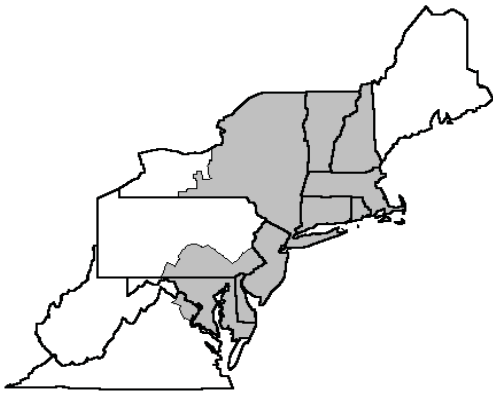
BULLETIN

NORTHEAST MARKETING AREA

Shawn M. Boockoff, Market Administrator

September 2019

Federal Order No. 1



To contact the Northeast Marketing Area offices:
 Boston, MA: phone (617) 737-7199, Albany, NY: phone (518) 452-4410, Alexandria, VA: phone (703) 549-7000;
 e-mail address: NortheastOrder@fedmilk1.com
 website address: www.fmmone.com

September Pool Price Calculation

The September 2019 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.78 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 \$19.91 per hundredweight. The September statistical uniform price was 19 cents per hundredweight below the August price. The September producer price differential (PPD) at Suffolk County was \$0.47 per hundredweight, a decrease of 90 cents per hundredweight from last month.

Product Prices Effect

Commodity product price changes once again were mixed. The September butter price dropped 13 cents per pound while the cheese price increased 8 cents per pound and nonfat dry milk rose 2 cents. The dry whey price increased less than 1 cent per pound. These changes resulted in a 16-cent drop in the butterfat price, a 42-cent jump in the protein price, a 2-cent increase in the nonfat solids price, and a less than 1-cent increase in the other solids price.

All class prices declined except the Class III price. The Class I price decreased 4 cents, Class II dropped 67 cents, and Class IV fell 39 cents, all on a per hundredweight basis. With the increase in the cheese price, the Class III price rose 71 cents per hundredweight. The Class IV price remained the lowest. Class I utilization increased from the previous month, but with lower prices in most of the classes, the SUP declined. The spread between the higher-priced classes and Class III tightened resulting in a lower PPD. Producers shipping to plants located in the \$2.70 and further zones received a negative PPD.

Selected Statistics

Average daily deliveries per producer set a new record high for the month of September. The Class II volume was the largest for the month since 2012. The Class IV volume was the second highest ever for September. The average producer butterfat and other solids tests set record-highs for the month; the average producer protein test tied with 2017 for the highest for the month of September. ❖

Pool Summary

- A total of 9,646 producers were pooled under the Order with an average daily delivery per producer of 7,477 pounds.
- Pooled milk receipts totaled 2.164 billion pounds, a decrease of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 31.8 percent of total milk receipts, up 1.4 percentage points from August.
- The average butterfat test of producer receipts was 3.84 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.75 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.8	688,219,424
Class II	25.5	551,932,610
Class III	26.8	579,446,946
Class IV	15.9	344,052,709
Total Pooled Milk		2,163,651,689

Producer Component Prices

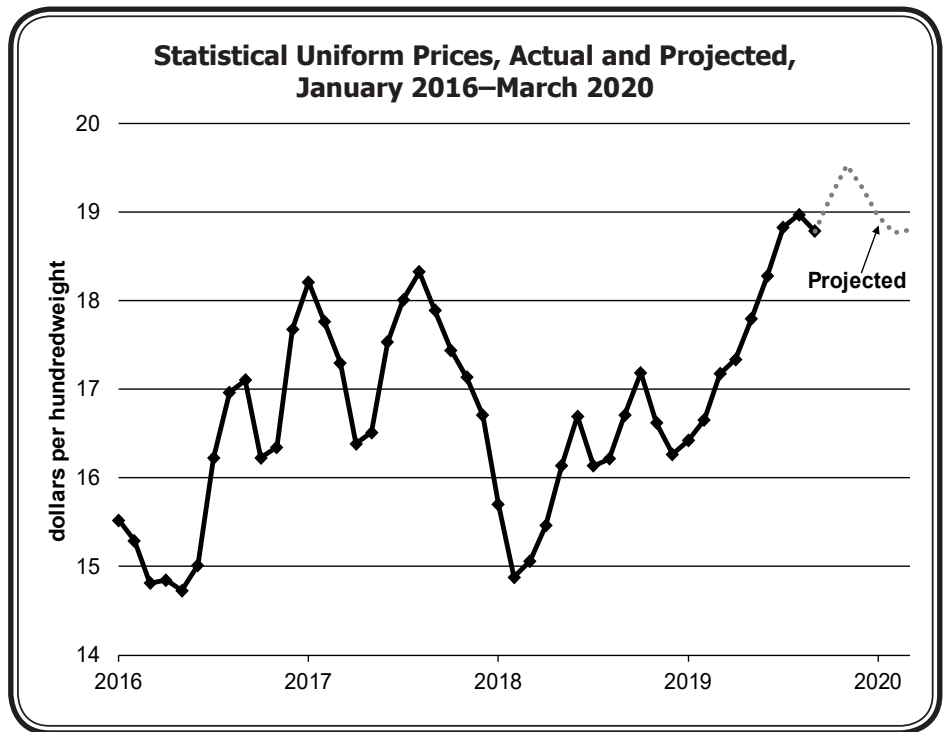
	2019	2018
	\$/lb	
Protein Price	2.8633	2.0029
Butterfat Price	2.4982	2.5442
Other Solids Price	0.1758	0.2098

Class Prices

	2019	2018
	\$/cwt	
Class I	21.10	18.10
Class II	16.93	15.13
Class III	18.31	16.09
Class IV	16.35	14.81

Price Outlook

After reaching its highest price since 2014 last month at \$18.97 per hundredweight (cwt), the Statistical Uniform Price (SUP) dipped down in September to \$18.78 per cwt. The average SUP for the first three quarters of 2019 is \$17.81 per cwt at the Boston, MA, base zone for the Northeast Order. Comparably, the average SUP for the first three quarters in 2018 was \$16.09 per cwt (\$1.72 less). Using Chicago Mercantile Exchange (CME) future prices as of October 15, 2019, the average SUP for this year projects to be \$18.18 per cwt. CME future prices also project a peak SUP of \$19.53 in November before a softening in the first quarter of 2020. The accompanying charts show SUP and product prices (actual and projected) prices for January 2016 through March 2020.

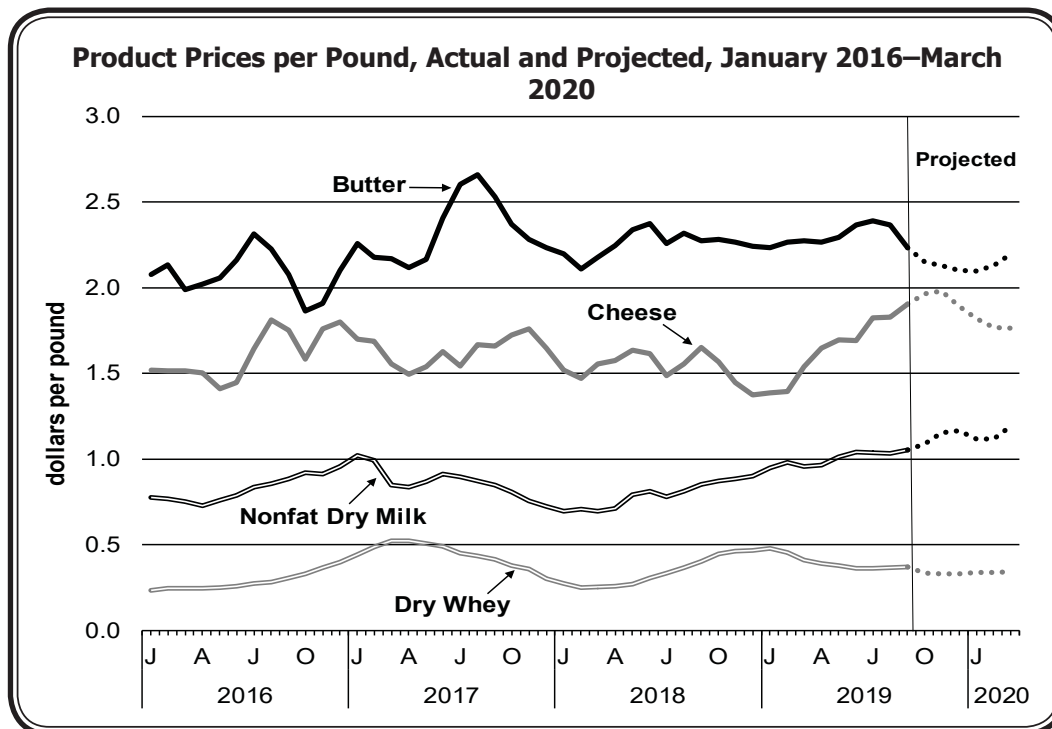


Butter

National Dairy Products Sales Report (NDPSR) monthly butter prices, which are used by federal orders, have maintained a steady price between \$2.23 and \$2.40 per pound since April 2018. September's butter price of \$2.2344 per pound was only one hundredth of a cent higher than this year's low of \$2.2343 per pound set back in January. According to CME futures, butter is estimated to edge slightly lower in the first quarter of 2020 compared to 2019 monthly prices.

Cheese

The NDPSR monthly cheese price was \$1.9053 per pound for September. This was the highest price per pound since November of 2014 and is \$0.52 higher than the lowest cheese price to date in 2019. The 37 percent increase from this year's low of \$1.3868 per pound in January to \$1.9053 in September is the largest within-year percentage change in cheese prices since 2011. CME futures estimate that cheese prices may reach \$1.98 per pound before gradually leveling off in the first quarter of 2020.



Nonfat Dry Milk

The NDPSR price for nonfat dry milk (NFDM) reached its highest level since December 2014 at \$1.0519 per pound in September. The CME futures market expects this price to increase further over the next half year. The six-month rolling average price has consistently increased every month since May 2018 and topped the \$1.00 per pound mark in July.

Dry Whey

NDPSR dry whey prices have been trending down (continued on page 3)

Price (continued from page 2)

from this year's peak, set this past January at \$0.4805 per pound. September's price was \$0.3698 and CME futures project this price to be sustained in the coming months. This year's September NDPSR price is nearly 4 cents less per pound than the price a year ago.

Northeast Pool Volume

The Northeast pool volume for September measured higher than it did for the same month a year ago, only the second occurrence of this in 2019. This breaks a trend of seven consecutive months of year-over-year decreases in pool volume. The cumulative pool volume for the first nine months of 2019 in the Northeast was

20.2 billion pounds, the second straight decline of the same period and lowest level since 2015.

Exports

Through the month of August 2019, year-over-year export volume of butterfat, dry whey, and nonfat dry milk are down 42, 33, and 15 percent, respectively, while exports of cheese increased 2 percent. NFDMS sales to the Philippines are down 62 percent from last year while sales to China are down 91 percent. Exports accounted for 14.2 percent of the total milk solids produced, down from 16.8 percent in the previous August. ❖

Dairy Business Innovation Initiatives

USDA recently announced three grant recipients for the Dairy Business Innovation (DBI) Initiatives. The DBI Initiatives support dairy businesses in the development, production, marketing and distribution of dairy products. DBI Initiatives will provide direct technical assistance and grants to dairy businesses, including niche dairy products, such as specialty cheese, or dairy products derived from the milk of a dairy animal, including cow, sheep and goat milk. These initiatives will specifically focus on: diversifying dairy product markets to reduce risk and develop higher-value uses for dairy products; promoting business development that diversifies farmer income through processing and marketing innovation; and encouraging the use of regional milk production. The University of Tennessee, the University of Wisconsin, and the Vermont Agency of Agriculture, Food and Markets were all grant awardees. More information on the DBI Initiatives is available at <https://www.ams.usda.gov/services/grants/dbi>. ❖

USDA Grants Want Feedback

USDA Grants would like feedback on how they evaluate grant programs like the Dairy Business Innovation Grant. USDA Agricultural Marketing Service (AMS) is updating their performance measures and looking for feedback from farmers, producers, ranchers, farmer organizations, trade associations, universities, etc. for their grant programs including the Farmers Market and Local Food Promotion Programs, Specialty Crop Block Grant Program, and Dairy Business Innovation Initiatives. Visit their website to learn more about the Performance Measures project.

You may provide your feedback at the following national meetings or through comments to <https://nasda.foundation/contact-us>.

- New Haven, CT: October 25, 2019
- Tallahassee, FL: October 29, 2019
- Monterey, CA: November 5, 2019 ❖

Pool Summary for All Federal Orders, January–September, 2018–2019

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2018	2019	Change^	2018	2019	2018	2019
		pounds			dollars per hundredweight			
1	Northeast	20,552,967,857	20,203,319,049	(1.7)	1.19	2.03	15.45	17.08
5	Appalachian	4,296,893,980	4,038,979,952	(6.0)	N/A	N/A	16.72	18.27
6	Florida	1,901,739,473	1,891,846,613	(0.5)	N/A	N/A	18.86	20.35
7	Southeast	3,974,398,612	3,790,019,212	(4.6)	N/A	N/A	17.04	18.65
30	Upper Midwest	25,012,765,303	26,934,662,845	7.7	0.12	0.24	14.38	15.29
32	Central	12,455,234,054	12,411,743,323	(0.3)	0.07	0.66	14.32	15.70
33	Mideast	14,825,879,138	14,631,659,961	(1.3)	0.36	1.08	14.61	16.13
51	California^	N/A	18,889,921,252	N/A	N/A	0.87	N/A	15.92
124	Pacific Northwest	6,216,961,461	6,634,119,425	6.7	0.02	0.74	14.27	15.79
126	Southwest	9,930,204,265	10,446,991,480	5.2	0.95	1.46	15.20	16.51
131	Arizona	3,854,856,444	3,721,133,309	(3.5)	N/A	N/A	14.45	16.18
All Market Total/Average		103,021,900,587	123,594,396,421	20.0	0.45	1.01	15.53	16.90

Price at designated order location.

N/A = Not applicable.

^ California Milk Marketing Area (F.O. 51) became effective November 1, 2018.

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	672,816,595	\$12.12	81,545,371.31	
Butterfat	15,402,829	2.6880	41,402,804.35	
Less: Location Adjustment to Handlers			(2,731,857.60)	\$120,216,318.15
Class II— Butterfat	31,414,780	2.5052	78,700,306.83	
Nonfat Solids	47,785,660	0.9400	44,918,520.40	123,618,827.23
Class III— Butterfat	24,638,165	2.4982	61,551,063.80	
Protein	17,854,344	2.8633	51,122,343.15	
Other Solids	33,191,684	0.1758	5,835,098.05	118,508,505.00
Class IV— Butterfat	11,703,913	2.4982	29,238,715.48	
Nonfat Solids	30,539,719	0.8753	26,731,416.03	55,970,131.51
Total Classified Value				\$418,313,781.89
Add: Overage—All Classes				50,951.34
Inventory Reclassification—All Classes				(144,296.64)
Other Source Receipts	200,446 Pounds			3,899.67
Total Pool Value				\$418,224,336.26
Less: Producer Component Valuations @ Class III Component Prices				(420,568,328.72)
Total PPD Value Before Adjustments				(\$2,343,992.46)
Add: Location Adjustment to Producers				12,523,272.59
One-half Unobligated Balance—Producer Settlement Fund				864,225.19
Less: Producer Settlement Fund—Reserve				(873,400.18)
Total Pool Milk & PPD Value	2,163,852,135 Producer pounds			\$10,170,105.14
Producer Price Differential		\$0.47		
Statistical Uniform Price		\$18.78		

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