

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 2021 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$15.91 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 \$17.51 per hundredweight. The January statistical uniform price was \$1.35 per hundredweight below the December price. The January producer price differential (PPD) at Suffolk County was -\$0.13 per hundredweight, a decrease of \$1.67 from the previous month.

Product Prices Effect

Commodity price changes in January were less dramatic than in prior months. As reported on the National Dairy Product Sales Report, butter increase 1 cent while nonfat dry milk and dry whey each rose 4 cents, all on a per pound basis. The average cheese price increased 1 cent per pound based on the combined block decrease of 5 cents and barrel increase of 7 cents. The commodity price changes translated to similar changes in the component prices. Butterfat and protein each increased 1 cent while nonfat solids and other solids each rose 4 cents, again on a per pound basis.

All class prices increased from the previous month except the Class I price, which was calculated from prices in mid-December, and dropped \$4.73 per hundredweight. The Class II price increased 17 cents; Class III rose 32 cents; and Class IV grew 39 cents, all on a per hundredweight basis. These lower prices, combined with the month's class utilizations, generated a lower SUP. With the spread between the higher and lower classes tightening, the Class III price higher than Classes II and IV, and strong producer component tests, more money was paid out than was generated resulting in a negative PPD.

Selected Statistics

Average daily deliveries per producer set a new record high for the Order. Total producer receipts were the second highest ever for the month of January while the Class IV volume was the highest ever for the month. The January average producer butterfat set a new record high for the Order. The producer protein test set new record high for January and tied with last month and November 2018 as the highest for the Order. ❖

Pool Summary

- A total of 8,935 producers were pooled under the Order with an average daily delivery per producer of 8,367 pounds.
- Pooled milk receipts totaled 2.318 billion pounds, an increase of 1.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.4 percent of total milk receipts, down 1.4 percentage points from December.
- The average butterfat test of producer receipts was 4.09 percent.
- The average true protein test of producer receipts was 3.21 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	30.4	705,627,274
Class II	24.5	566,764,180
Class III	24.8	574,316,448
Class IV	20.3	470,854,385
Total Pooled Milk		2,317,562,287

Producer Component Prices

	2021	2020
	\$/lb	
Protein Price	3.0355	2.9606
Butterfat Price	1.5541	2.1117
Other Solids Price	0.2682	0.1417

Class Prices

	2021	2020
	\$/cwt	
Class I	18.39	22.26
Class II	14.18	17.05
Class III	16.04	17.05
Class IV	13.75	16.65

Market Service 2020 Summary

The Market Administrator of the Northeast Order oversees a Market Services program that verifies or establishes weights, samples and tests of producer milk, and provides market information for producers who are not receiving such services from a cooperative association. While some of the routine Market Services operations were impacted in 2020 by the COVID-19 pandemic, the focus of the Market Service department remained on ensuring continuity of operations that were deemed essential services to the verification of weights and tests.

Calibration Program

One aspect of Market Services is the bulk tank calibration program. The Northeast Order operates two calibration trucks with onboard metering equipment and a supply of water. The Market Service department calibrated 60 farm bulk tanks throughout the Northeast Marketing Area milkshed in 2020. In providing these services, the two trucks combined covered 12,212 miles in 2020.

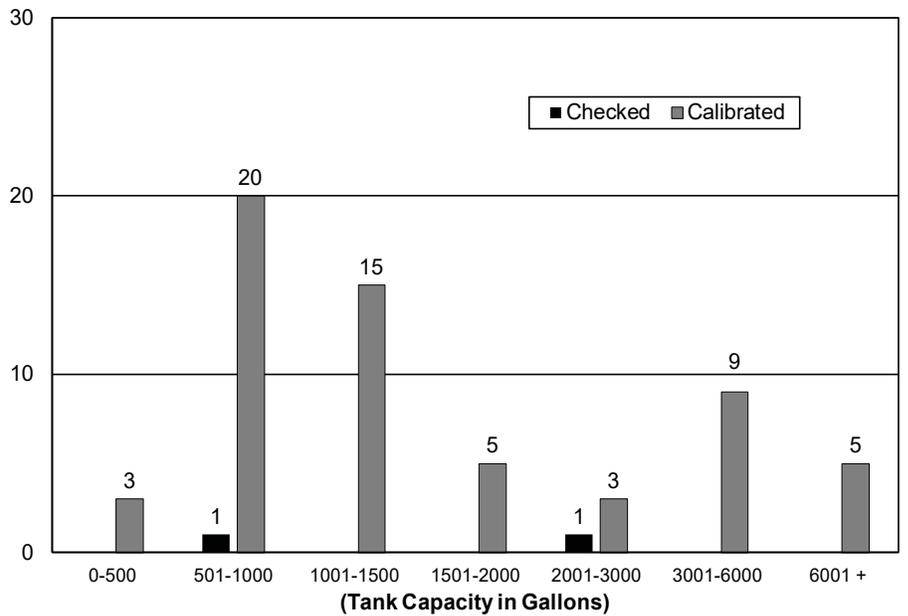
Briefly, a tank calibration involves delivering precise volumes of water and measuring the depth of water in the tank after each delivery throughout the entire capacity of the tank. Based on these measurements, with volume tolerances applied, a new and accurate bulk tank conversion chart is prepared. A tank check involves measuring the tank at about four or five different levels and comparing those readings against the conversion chart to determine the accuracy of the chart. The chart is used by milk haulers to convert the volume of the milk in the bulk tank to pounds of milk; the basis on which producers are paid.

Checks/Calibration Results

Of the 60 tanks calibrated, 4 (7 percent) were re-calibrations from being found out of tolerance on a previous check. The remaining 56 calibrations were performed for other reasons that did not involve an initial check, such as a tank being newly installed, moved, having a deteriorated chart, or by special request. Of the tanks that were recalibrated or calibrated, 63 percent were 1,500 gallon tanks or smaller.

The 60 tank calibrations and re-calibrations total at least 62 farm visits. The accompanying chart shows a breakdown of calibrations by tank size. A tentative schedule for the calibration trucks during the upcoming season also is included.

2020 Bulk Milk Tanks Checked or Calibrated, by Tank Capacity



Payment Test Verification Program

The Federal Order also requires the Market Administrator to verify or establish the payment tests for the non-member (independent) producers. The verification of tests is a valuable service to producers to assure accurate payments for their milk. In 2020, the Market Service department tested 32,130 samples of producer milk. This was 90 percent of the expected total number of samples to test on the year. Of the samples that were tested, only 90 samples (0.3 percent) were determined to be outliers and were removed from any statistical comparisons to Handler payment tests. The remaining 32,040 samples were used to verify the accuracy of payment tests.

Additionally, the Market Service department laboratory staff prepared and distributed 19 sets of raw milk control samples to industry labs that conduct producer payment testing. To contend with challenges *(continued on page 3)*

Tentative Calibration Truck Schedule, 2021

Month	Area
April	Southern PA, Northern PA, Central NY
May	Finger Lakes Region NY, Eastern NY, Connecticut
June	Central PA, Eastern NY
July	Southern PA, Northern NY, Central NY
August	Western NY, Eastern, NY
September	Central PA, Eastern, NY, Maine, New Hampshire, Vermont
October	Southern PA, Central NY
November	Finger Lakes Region NY, Southern PA

Market Service(continued from page 2)

brought on by the pandemic and assure the continuation of the control sample program, the frequency of these sample sets was adjusted from every two weeks to every three weeks from mid-March through the remainder of the year. These samples, with their accompanying reference chemistry values, serve as standards used to either set or verify the accuracy of baseline calibrations of infrared milk analyzers used by the industry for payment testing. Along with each new set of control samples distributed to the Northeast Market Area, the laboratory staff routinely analyzed instrument performance of data submitted by 34 industry laboratories. Of these monitored

labs, 13 are performing producer payment testing. This routine laboratory monitoring assures accurate testing performance.

Finally, in 2020 a critical improvement was made to the Market Administrator's payment test verification program. The frequency of verification testing for each non-member producer was increased from quarterly to bi-monthly. This increase in market services provided by the Market Administrator allows for more frequent monitoring of producer payment tests to assure that timely and accurate payments are being made to producers. ❖

Trends in Packaged Sales

For many years now, the trend in the Northeast Marketing Area (NMA) has been overall declining milk sales, but increasing whole milk sales. The accompanying tables show this trend continuing. The tables show changes in sales in the NMA by product as reported by pool handlers regulated by the Northeast Order for 2020 compared to the previous year and 5 years ago. In addition, the change in sales by nonregulated handlers (handlers regulated by another federal order, partially regulated, exempt, and producer handlers) and total sales by all handlers is shown; a complete breakdown of sales by product from nonregulated handlers is not available. Lastly, per capita sales for the NMA compared to the United States are shown. Percent changes have been adjusted for leap year in 2020.

The Northeast Marketing Area is defined under section 1001.2 of the Northeast Order and includes the entire states of Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, Rhode Island, and Vermont; most of Maryland and New York; and specific counties in Pennsylvania and Virginia. Its area includes many major metropolitan areas such as Boston, MA; New York, NY; Philadelphia, PA, and Washington, DC.

Table 1
Sales in the Northeast Marketing Area, Selected Years

Product	2015	2019	2020
	(million pounds)		
Whole Milk	2,598.0	2,748.6	2,822.8
Reduced Fat Milk	1,757.7	1,565.4	1,682.8
Low Fat Milk	1,444.7	1,090.4	1,063.4
Fat-free Milk	965.1	601.2	512.5
Flavored Milk & Reduced Fat Products	451.2	424.8	310.0
Organic Whole Milk	142.7	174.7	154.2
Organic Reduced Fat Milk	248.5	188.4	168.3
Buttermilk/Eggnog/Other	48.5	50.0	46.2
Total From Pool Handlers	7,656.4	6,843.5	6,760.2
Sales from Non-pool Handlers	808.4	833.7	774.6
Total Sales from All Handlers	8,464.8	7,677.2	7,534.8

Table 2
Total Per Capita Sales, Northeast Marketing Area vs United States

	2015	2016	2017	2018	2019	2020
	(pounds of fluid milk products)					
NMA	154.7	151.5	148.2	144.8	139.9	137.2
US*	154.2	151.7	147.8	144.0	140.9	139.9

Sources: USDA's *Estimated Fluid Milk Products Sales Report*; U.S. Census Bureau

Sales by Product

The table shows increases in whole and reduced fat (2%) milk in 2020 compared to the previous year. Whole milk sales in 2020 were 2.4 percent above 2019 and 8.4 percent higher than 2015. Sales of reduced fat products were 7.2 percent greater than in 2019, but 4.5 percent below 5 years prior. Sales of all other products have declined when compared to the 2 years shown except for an increase in organic whole milk when compared to 2015. Sales into the NMA from nonregulated handlers have declined 1.5 percent in 2020 from 2019 and 11.9 percent from 2015.

Whole milk has always held the largest proportion and that has grown over the past 5 years. Reduced fat remains in second place with its proportion increasing in the past year. Low fat and fat-free have declined consistently since 2014. Flavored milk and reduced fat products had increased slightly over the past few years, but school closures and remote learning due to Covid-19 resulted in a decrease as school sales account for the majority of flavored products.

Per Capita Sales

Table 2 shows per capita sales for the NMA and estimated for the United States for 2015-2020. Per capita sales have been declining for more than ten years. Over the years shown, per capita sales in the NMA have been fairly close to the national average. In 2019, per capita sales in the NMA dropped slightly below the U.S. average; in 2020 this spread has widened. ❖

RETURN SERVICE REQUESTED

FIRST CLASS MAIL

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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	689,725,412	\$13.28	\$91,595,534.71	
Butterfat	15,901,862	1.5934	25,338,026.91	
Less: Location Adjustment to Handlers			(2,994,303.70)	\$113,939,257.92
Class II— Butterfat	31,864,781	1.5611	49,744,109.62	
Nonfat Solids	50,052,591	1.0033	50,217,764.58	99,961,874.20
Class III— Butterfat	29,103,262	1.5541	45,229,379.50	
Protein	18,316,514	3.0355	55,599,778.23	
Other Solids	32,785,061	0.2682	8,792,953.38	109,622,111.11
Class IV— Butterfat	18,012,244	1.5541	27,992,828.40	
Nonfat Solids	42,360,925	0.9570	40,539,405.30	68,532,233.70
Total Classified Value				\$392,055,476.93
Add: Overage—All Classes				9,770.52
Inventory Reclassification—All Classes				230,604.26
Other Source Receipts	399,819			5,379.24
Total Pool Value				\$392,301,230.95
Less: Value of Producer Butterfat	94,882,149	1.5541	(147,456,347.76)	
Value of Producer Protein	74,303,714	3.0355	(225,548,923.89)	
Value of Producer Other Solids	133,587,750	0.2682	(35,828,234.52)	(408,833,506.17)
Total PPD Value Before Adjustments				(\$16,532,275.22)
Add: Location Adjustment to Producers				13,455,544.60
One-half Unobligated Balance—Producer Settlement Fund				1,051,081.65
Less: Producer Settlement Fund—Reserve				(987,701.73)
Total Pool Milk & PPD Value	2,317,962,106			(\$3,013,350.70)
Producer Price Differential		(\$0.13)		
Statistical Uniform Price		\$15.91		

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