

The Market Administrator's

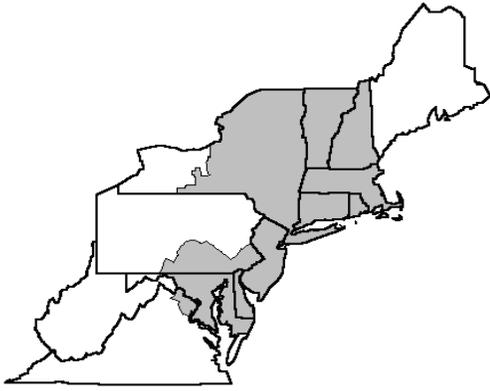
BULLETIN

NORTHEAST MARKETING AREA

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April 2021

Federal Order No. 1



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April Pool Price Calculation

The April 2021 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$17.36 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 \$18.75 per hundredweight. The April statistical uniform price was 86 cents per hundredweight above the March price. The April producer price differential (PPD) at Suffolk County was -\$0.31 per hundredweight, a decrease of 66 cents from the previous month.

Product Prices Effect

All commodity prices increased in April. As reported on the National Dairy Product Sales Report on a per pound basis, butter jumped 19 cents, dry whey rose 6 cents, and the nonfat dry milk rose 5 cents, all on a per pound basis. The cheese price rose 11 cents based on the 12-cent increase in the block price combined with the 10-cent increase in the barrel price, again on a per pound basis. The commodity price changes translated to similar changes in the component prices. Butterfat jumped 23 cents, other solids increased 6 cents, nonfat solids rose 5 cents, and protein was up 12 cents, all on a per pound basis.

All class prices increased from the previous month: the Class I price increased 31 cents; Class II rose 49 cents; Class III jumped \$1.52; and Class IV was up \$1.24, all on a per hundredweight basis. The Class III price was the highest for April since 2014. The higher prices, combined with the month's class utilizations, generated a higher SUP. The spread between the highest class price and the Class III price tightened, and when combined with the utilizations of these classes, resulted in a negative PPD at all differential zones. For more explanation on negative PPDs, see the June 2020 *Bulletin*.

Selected Statistics

For the fourth month in a row, average daily deliveries per producer set a new record high for the Order. Average producer butterfat and protein tests set new record highs for the month, while the average producer other solids test tied with 2020 as a record high for the month of April. ❖

Pool Summary

- A total of 8,696 producers were pooled under the Order with an average daily delivery per producer of 8,727 pounds.
- Pooled milk receipts totaled 2.277 billion pounds, unchanged from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.1 percent of total milk receipts, down 0.3 percentage points from March.
- The average butterfat test of producer receipts was 3.98 percent.
- The average true protein test of producer receipts was 3.14 percent.
- The average other solids test of producer receipts was 5.78 percent. ❖

Class Utilization

| Pooled Milk | Percent | Pounds |
|-------------------|---------|---------------|
| Class I | 30.1 | 684,189,500 |
| Class II | 24.2 | 552,022,725 |
| Class III | 24.5 | 557,576,402 |
| Class IV | 21.2 | 482,897,622 |
| Total Pooled Milk | | 2,276,686,249 |

Producer Component Prices

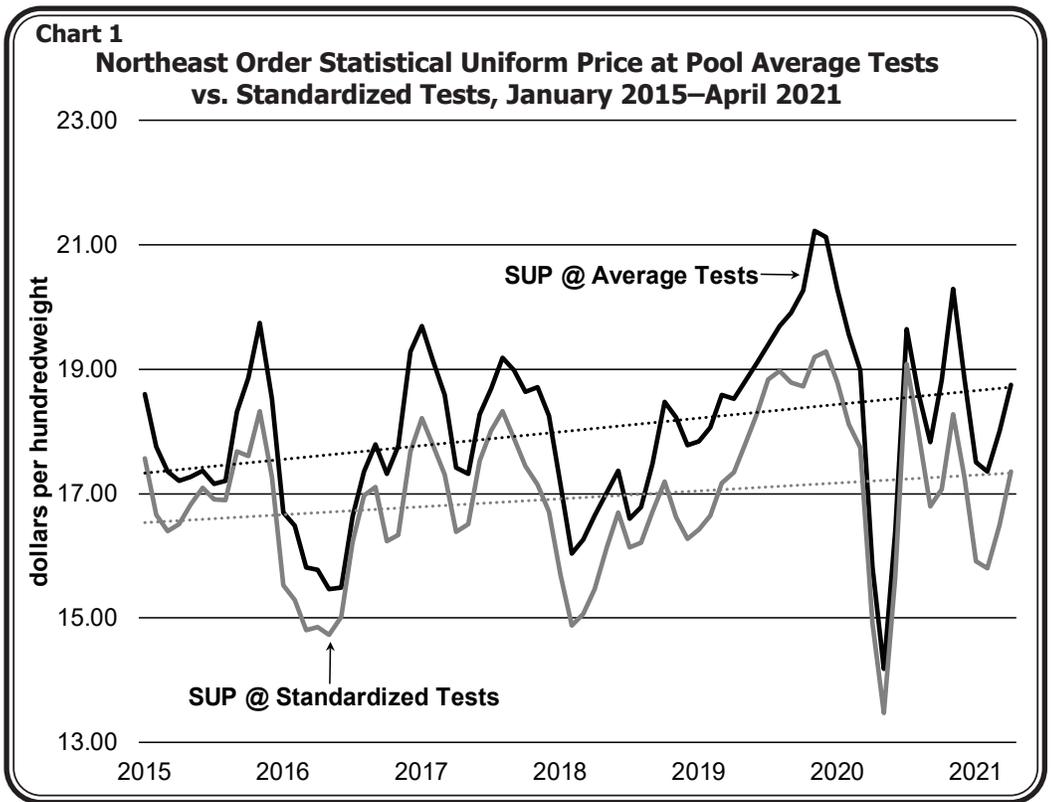
| | 2021 | 2020 |
|--------------------|--------|--------|
| | \$/lb | |
| Protein Price | 2.8136 | 2.4822 |
| Butterfat Price | 1.9496 | 1.3218 |
| Other Solids Price | 0.4268 | 0.1793 |

Class Prices

| | 2021 | 2020 |
|-----------|--------|-------|
| | \$/cwt | |
| Class I | 18.76 | 19.89 |
| Class II | 15.56 | 13.87 |
| Class III | 17.67 | 13.07 |
| Class IV | 15.42 | 11.40 |

Statistical Uniform Price—Components Make a Difference

The Statistical Uniform Price (SUP) is announced at standardized tests: 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. This standardization is used to compare the SUP over time and to other federal orders. In addition, the Northeast Order SUP is announced at average pool component tests—the tests of all producer milk pooled for the month. These tests vary each month, but represent the actual components of all the producers' milk in that month's pool. The April SUP reported at standardized tests was \$17.36 per hundredweight; the price reported at average pool component tests was \$18.75 per hundredweight, \$1.39 higher.



Producer Average Price

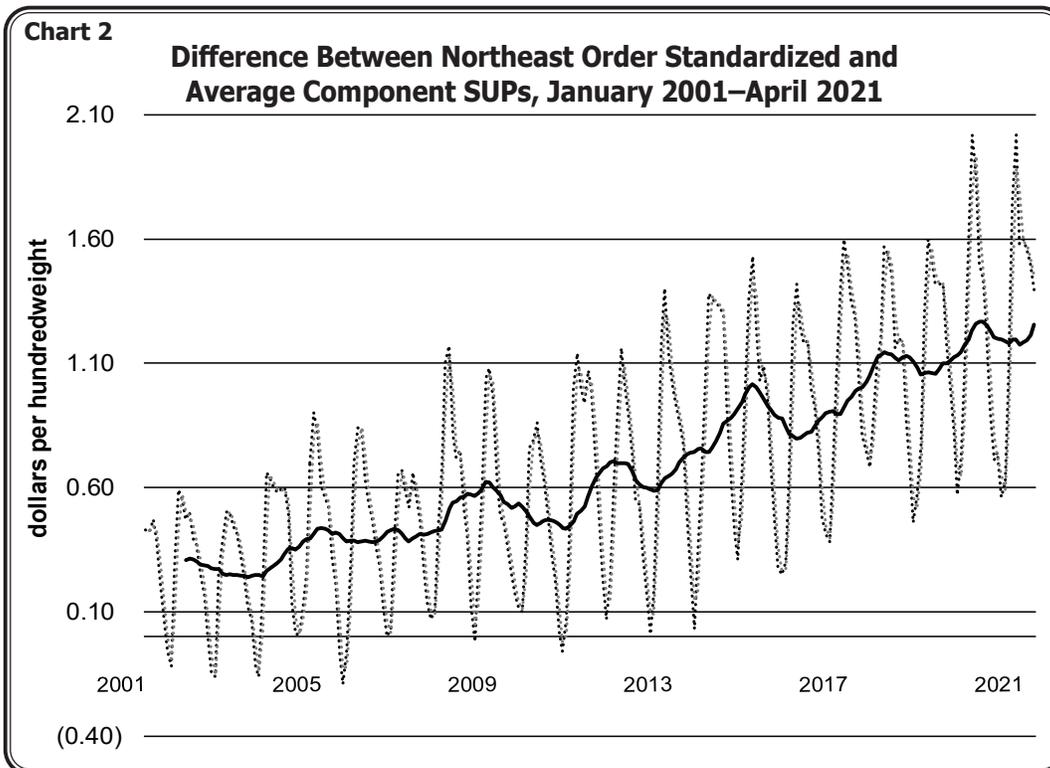
Chart 1 compares the SUP at standardized tests (SUPS) to the SUP at average pool tests (SUPA) from January 2015 through April 2021. For the time period shown, the SUPA was always higher than the SUPS; the last time it was below was July 2010 when the producer protein test was 2.93 percent. As the

chart shows, the price spread tightened during the initial pandemic disruption, depicted by the sharp decline in both.

Clearly displayed by the chart 1 trend lines, the spread between the SUPA and the SUPS has been increasing. As producers manage their operations

to improve components through breed choices (adding Jerseys to their herds) and improving feed and other practices, average tests have increased for all components. The SUPA more accurately depicts what an average producer received as a pay price for their milk than the SUPS. Of course, both SUP values are reported at Boston and need to be adjusted for the location where individual producer's milk was received.

Chart 2 shows the difference between the SUPS and SUPA from January 2001 to present. The zigzag pattern shows (continued on page 3)



Statistical Uniform Price (continued from page 2)

the seasonality of the differences. During the summer months, when producer tests tend to be lower and closer to the standardized test, the difference is generally less. The opposite occurs when the tests are higher, usually in the cooler months. The trend line uses a moving average of the differences to smooth out this seasonality. As the chart shows, this line has been gradually increasing over the past 20 years.

Producer Components

Chart 3 shows average producer butterfat tests from January 2015 through April 2021. Even without the trend line, it is clear that butterfat tests have increased over the years. Butterfat tests follow a seasonal pattern, hence the up and down line; they are lowest in the summer months and higher in the winter months. For the period shown, tests have ranged from a low of 3.64 percent to a high of 4.11 percent, which was the highest test recorded for the Northeast Order to date (February 2021). The lowest on record, since 2000, was 3.50 percent in July 2005. The overall range since the Order's inception is 0.61 percentage points, the largest spread of all components.

Chart 4 presents average producer protein tests since January 2015. Similar to butterfat, protein tests follow a seasonal pattern and have been increasing over the years. Over the period shown, protein tests have ranged from a low of 2.96 percent to a high of 3.21 percent, which is also the highest protein test on record for the Order and occurred for three straight months: December 2020-February 2021. The record low was set in July 2002 at 2.88 percent. This represents a range of 0.33 percentage points since the Order's inception.

Chart 5 depicts average producer other solids tests for the same time period as butterfat and protein. Other solids have a more erratic pattern and tighter range. The range from the highest to the lowest since the Order's inception is only 0.20 percentage points. Over the period shown, other solids tests have ranged from a low of 5.71 percent to a high of 5.79 percent (only 0.10 percentage points). The highest test reported for the Order since 2000 was 5.79 percent that occurred in both May 2020 and February 2021. The record low was set in January 2000 at 5.59 percent. ❖

Chart 3
**Northeast Order Producer Butterfat Tests,
January 2015–April 2021**

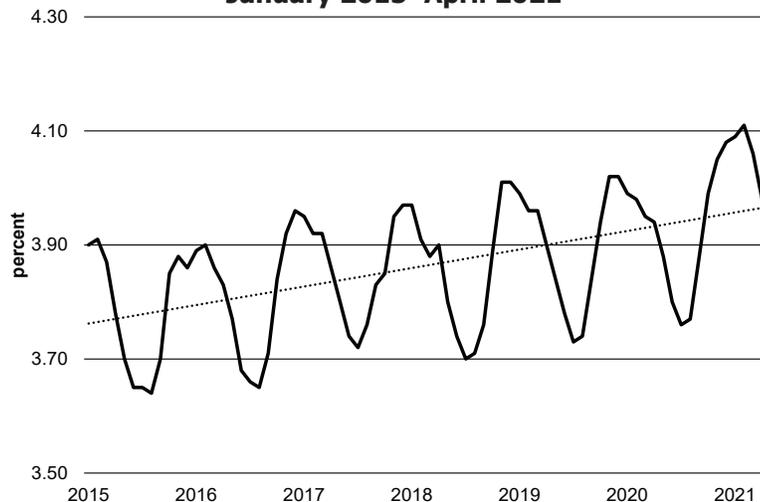


Chart 4
**Northeast Order Producer Protein Tests,
January 2015–April 2021**

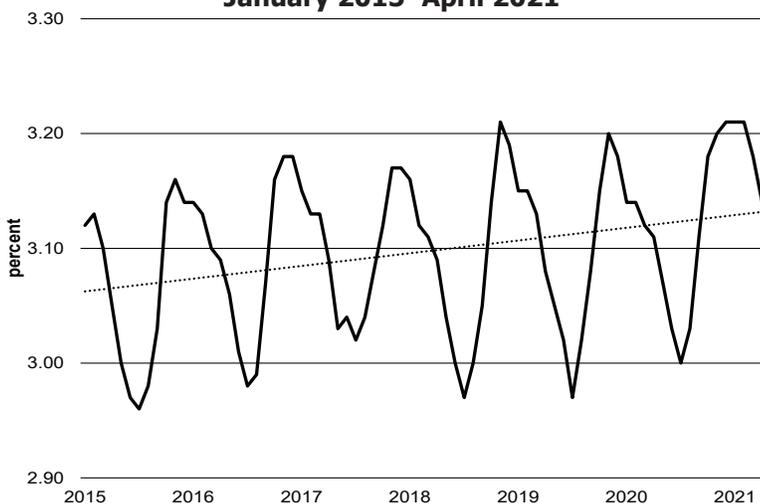
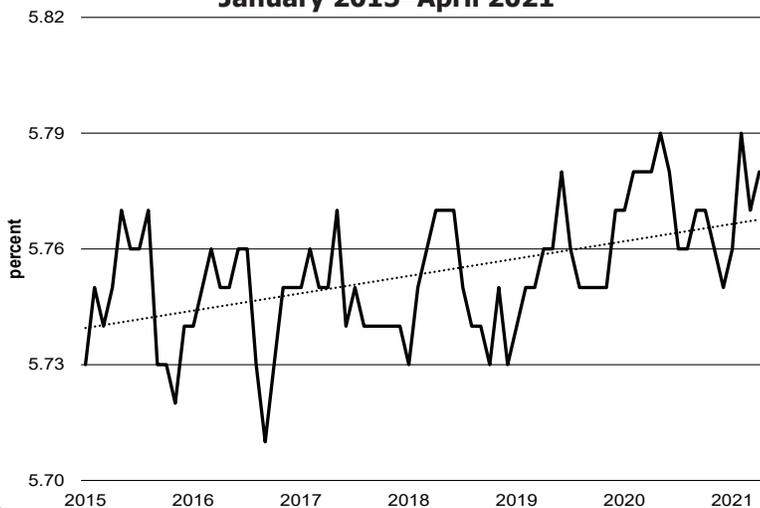


Chart 5
**Northeast Order Producer Other Solids Tests,
January 2015–April 2021**



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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 | 668,766,072 | \$13.25 | \$88,611,504.54 | |
| Butterfat | 15,423,428 | 1.7060 | 26,312,368.17 | |
| Less: Location Adjustment to Handlers | | | (2,910,861.79) | \$112,013,010.92 |
| Class II— Butterfat | 32,488,472 | 1.9566 | 63,566,944.30 | |
| Nonfat Solids | 48,249,821 | 1.0033 | 48,409,045.48 | 111,975,989.78 |
| Class III— Butterfat | 26,530,088 | 1.9496 | 51,723,059.55 | |
| Protein | 17,471,871 | 2.8136 | 49,158,856.22 | |
| Other Solids | 31,965,343 | 0.4268 | 13,642,808.40 | 114,524,724.17 |
| Class IV— Butterfat | 16,242,167 | 1.9496 | 31,665,728.74 | |
| Nonfat Solids | 43,325,220 | 0.9902 | 42,900,632.83 | 74,566,361.57 |
| Total Classified Value | | | | \$413,080,086.44 |
| Add: Overage—All Classes | | | | 18,689.37 |
| Inventory Reclassification—All Classes | | | | 651,095.06 |
| Other Source Receipts | 60,413 | | | 1,055.77 |
| Total Pool Value | | | | \$413,750,926.64 |
| Less: Value of Producer Butterfat | 90,684,155 | 1.9496 | (176,797,828.67) | |
| Value of Producer Protein | 71,473,502 | 2.8136 | (201,097,845.23) | |
| Value of Producer Other Solids | 131,485,415 | 0.4268 | (56,117,975.11) | (434,013,649.01) |
| Total PPD Value Before Adjustments | | | | (\$20,262,722.37) |
| Add: Location Adjustment to Producers | | | | 13,225,831.80 |
| One-half Unobligated Balance—Producer Settlement Fund | | | | 934,003.14 |
| Less: Producer Settlement Fund—Reserve | | | | (955,027.15) |
| Total Pool Milk & PPD Value | 2,276,746,662 | | | (\$7,057,914.58) |
| Producer Price Differential | | (\$0.31) | | |
| Statistical Uniform Price | | \$17.36 | | |

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