

# The Market Administrator's

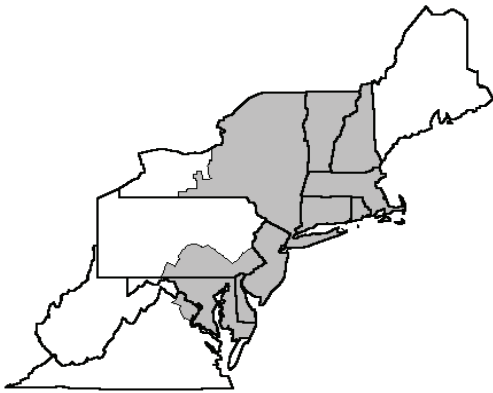
# BULLETIN

## NORTHEAST MARKETING AREA

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Federal Order No. 1



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### May Pool Price Calculation

The May 2021 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$18.34 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 \$19.67 per hundredweight. The May statistical uniform price was 98 cents per hundredweight above the April price. The May producer price differential (PPD) at Suffolk County was -\$0.62 per hundredweight, a decrease of 31 cents from the previous month.

### Product Prices Effect

Similar to April, all commodity prices increased in May. As reported on the National Dairy Product Sales Report on a per pound basis, butter rose 3 cents, dry whey increased 4 cents, and nonfat dry milk was up 7 cents, all on a per pound basis. As in April, the cheese price rose 11 cents, but May's increase was driven mainly by the 20-cent per pound jump in the barrel price; blocks rose less than 2 cents per pound. The commodity price changes translated to similar changes in the component prices. Butterfat and other solids increased 4 cents, nonfat solids rose 7 cents, and protein jumped 32 cents, all on a per pound basis.

All class prices increased from the previous month: the Class I price rose \$1.59; Class II increased 66 cents; Class III grew \$1.29; and Class IV was up 74 cents, all on a per hundredweight basis. 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 increased somewhat, but with the spread between the Class I and III utilizations tightening, a negative PPD resulted at all differential zones. Both the Class III price and SUP were the highest for May since 2014.

### Selected Statistics

For the fifth month in a row, average daily deliveries per producer set a new record high for the Order. The Class I volume and utilization percentage for May were the lowest for the month since the Order's inception. Average producer butterfat and protein tests set new record highs for the month. ❖

### Pool Summary

- A total of 8,546 producers were pooled under the Order with an average daily delivery per producer of 8,778 pounds.
- Pooled milk receipts totaled 2.325 billion pounds, a decrease of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 28.9 percent of total milk receipts, down 1.2 percentage points from April.
- The average butterfat test of producer receipts was 3.94 percent.
- The average true protein test of producer receipts was 3.12 percent.
- The average other solids test of producer receipts was 5.78 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	28.9	672,169,757
Class II	24.2	561,451,843
Class III	25.3	589,303,433
Class IV	21.6	502,554,892
Total Pooled Milk		2,325,479,925

#### Producer Component Prices

	2021	2020
	\$/lb	
Protein Price	3.1307	2.0918
Butterfat Price	1.9851	1.3756
Other Solids Price	0.4645	0.1882

#### Class Prices

	2021	2020
	\$/cwt	
Class I	20.35	16.20
Class II	16.22	12.30
Class III	18.96	12.14
Class IV	16.16	10.67

# Manufactured Dairy Products—2020 Summary

USDA's National Agricultural Statistics Service recently released their *Dairy Products 2020 Summary*. This publication summarizes dairy products manufactured in the United States. The accompanying table compares selected products' changes to 2020 from 2019 and 2015, for both the U.S. and for milk used in the Northeast Order.

## Cheese Production

Nationally, total cheese production (excluding cottage cheese) grew a slight 0.6 percent from 2019. Cream (and Neufchatel) jumped 7.9 percent while American cheese rose 1.7 percent. Italian cheese declined 1.1 percent and Swiss and other cheeses decreased 1.8 percent. Within the other cheese category, Hispanic (which had the highest volume in this category and accounted for 27.2 percent) rose 4.0 percent. Feta had the most growth from 2019 (5.5 percent), but only accounted for 10.8 percent of the total category. Swiss cheese, which represented 25.4 percent of other cheese, dropped 4.2 percent. Other cheeses in this category include feta, blue/gorgonzola, Muenster, Gouda, brick, and other varieties. Within total Italian cheese, ricotta grew 5.5 percent from 2019.

When compared to five years earlier, total cheese is up 11.7 percent. American and Italian rose 13.4 and

10.4 percent, respectively. Swiss and other cheeses grew 8.2 percent while cream cheese increased 15.1 percent. Within the other types, Hispanic cheese rose 36.3 percent from 2015.

In the Northeast, milk used in making cheese decreased 0.9 percent from 2019 to 2020. By category, milk used in American cheese dropped 2.5 percent, Swiss and other cheeses fell 2.3 percent, and Italian cheese was down 0.4 percent (this figure includes ricotta that decreased 4.0 percent). The only category to increase from the previous year was cream cheese that rose 3.3 percent. Compared to 2015, milk used in cheese rose 12.0 percent with the largest increase reported by Italian cheese that rose 20.0 percent.

## Other Products

U.S. butter production increased 7.3 percent from 2019 to 2020. Compared to 2015, it is up 15.7 percent. Nonfat dry milk (NFDM) rose 7.3 percent from the previous year and 9.0 percent from 2015. Yogurt increased 2.9 from the 2019, but was down 3.0 percent from 5 years ago. Ice cream (not shown in table) increased 3.6 percent from the previous year and 1.6 percent from 2015. Combined evaporated and condensed (whole and skim) increased 2.1 percent from 2019, but was down 11.1 percent from 2015.

(continued on page 3)

### Change in Selected Manufactured Dairy Products, 2020

	Total US Production of Manufactured Products		Total Northeast Order Milk Used to Manufacture#	
	2020 from:			
	2015	2019	2015	2019
	(percent change)			
<b>Cheese</b>				
American <sup>^</sup>	13.4	1.7	4.1	(2.5)
Italian <sup>+</sup>	10.4	(1.1)	20.0	(0.4)
Cream and Neufchatel	15.1	7.9	11.2	3.3
Other <sup>*</sup>	8.2	(1.8)	6.7	(2.3)
<b>Total Cheese(excludes cottage)</b>	<b>11.7</b>	<b>0.6</b>	<b>12.0</b>	<b>(0.9)</b>
<b>Butter</b>	<b>15.7</b>	<b>7.3</b>	<b>16.4</b>	<b>5.9</b>
<b>NFDM~</b>	<b>9.0</b>	<b>7.3</b>	<b>6.9</b>	<b>(1.2)</b>
<b>Yogurt</b>	<b>(3.0)</b>	<b>2.9</b>	<b>20.9</b>	<b>6.3</b>

Source: USDA, NASS - Dairy Products 2020 Summary; Northeast Order pool report data.

# Based on total milk used in manufacture of products.

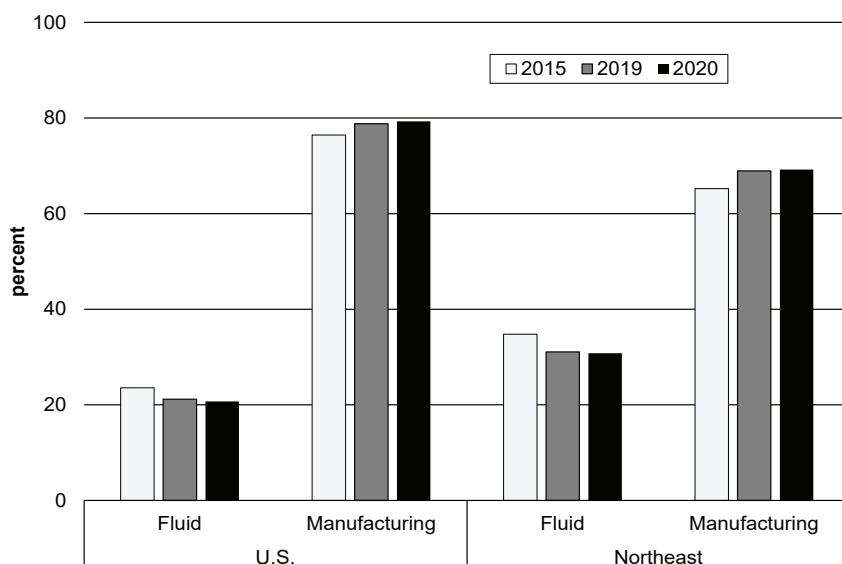
<sup>^</sup> Includes Cheddar, Colby, Monterey, and Jack.

<sup>+</sup> Includes ricotta, mozzarella, parmesan, provolone, and other Italian varieties.

<sup>\*</sup> Includes Swiss, Hispanic, Muenster, Gouda, blue, brick, feta, and other varieties.

<sup>~</sup> For human use; Northeast data includes some whole milk powder.

U.S. vs Northeast Order, Use of Milk for Selected Years



## Manufactured Dairy Products (continued from page 2)

In the Northeast, milk used in butter rose 5.9 percent in 2020. Compared to 2015, it was up 16.4 percent. Milk utilized in yogurt increased 6.3 percent from the previous year and 20.9 percent from 5 years ago. Milk used in the production of dry milk products (mostly nonfat, but does include some whole milk powder) declined 1.2 percent from 2019; compared to 2015, it grew 6.9 percent. Milk utilized in ice cream rose a slight 0.5 percent in 2020. Compared to 5 years ago, it dropped 18.0 percent. Milk used in evaporated and condensed was up 24.8 percent from 2019 and 55.7 percent from 2015.

### Leading States

The top five cheese-producing states continued to be Wisconsin, California, Idaho, New Mexico, and New York. Pennsylvania ranked number seven and Vermont was number 12 of the states reported. Not all states are represented; data cannot be disclosed when there are fewer than three plants. Due to this, state rankings were not available for many products. Wisconsin remained the

number one producer of both American and Italian cheese. New York remained the largest producer of yogurt and cottage cheese (low fat and creamed) and number two in sour cream. Pennsylvania ranked number two in nonfat dry milk and ice cream.

### Percent of Total Milk Production

Of U.S. total milk production, 79.3 percent was used in manufactured products (20.7 percent sold for fluid use) in 2020, up from 78.8 percent in 2019 and 76.4 percent in 2015 (see chart).

In the Northeast Order, the total amount of pooled milk utilized in manufactured products equaled 69.2 percent in 2020; this compares to 68.9 in 2019 and 65.2 in 2015.

### Number of Plants

The total number of plants equaled 1,242 in 2020, down from 1,270 in 2019. Wisconsin led with 196, followed by New York with 128, and California with 110. Pennsylvania reported 84 and Vermont had 55 in 2020. ❖

## Price Outlook

The May 2021 statistical uniform price (SUP) of \$18.34 per hundredweight (cwt) was the second highest SUP of the last 16 months. It was only surpassed by the \$19.08 per cwt in July 2020, a price that was largely bolstered by U.S. government intervention shortly after the onset of the coronavirus pandemic. Based on CME futures prices of Class III and Class IV milk and estimates of Northeast Order class utilizations, the SUP at the Boston, MA, location projects to average \$19.26 for the remaining months of the year. The producer price differential projects to average \$0.96 per cwt for the remainder of the year.

### Butter

A stronger butter price continues to bolster the current SUP. National Dairy Product Sales Report (NDPSR) prices, which are used in Federal Order pricing, averaged \$1.8273 per pound for the week of May 29, representing a steady 49-cent climb from the week of February 13. That increase has added roughly 63 cents to the SUP. The increase has been attributed to return of demand in the food service sector with more restaurants and food away from home options opening. CME butter futures range from \$1.80 to \$1.91 per pound, from June through December.

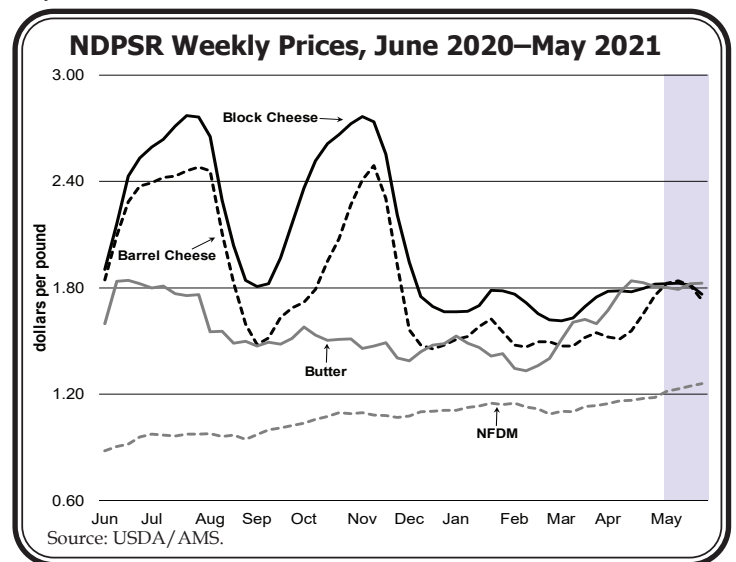
### Cheese

Monthly NDPSR cheese prices averaged \$1.8206 per pound in May, an increase largely due to barrel cheese prices climbing to roughly even, and in some weeks, greater than the block cheese price. The block Cheddar price averaged \$1.80 per pound since April 3 while barrel prices that were at \$1.5220 per pound the week of April 3, rose roughly 30 cents by the week of May 15, recently

settling at \$1.7330 per pound the last week of May. Some softening has occurred since June began as spot Cheddar blocks and barrels settled at \$1.5050 and \$1.6650, respectively, by June 14. CME cheese futures suggest a cheese price of \$1.65 per pound in June, peaking around \$1.86 per pound in the fall, and finishing the year at \$1.83 per pound.

### NFDM

Monthly NDPSR nonfat dry milk (NFDM) prices averaged \$1.15 per pound for the first 5 months of 2021. This marks the highest average NFDM price for this period in 7 years and seventh highest since 2000. CME futures for NFDM steadily increase from \$1.28 per pound in June to \$1.37 in December 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	657,087,922	\$13.81	\$90,743,842.03	
Butterfat	15,081,835	2.0080	30,284,324.68	
Less: Location Adjustment to Handlers			(2,862,084.72)	\$118,166,081.99
Class II— Butterfat	32,510,575	1.9921	64,764,316.52	
Nonfat Solids	49,047,969	1.0644	52,206,658.23	116,970,974.75
Class III— Butterfat	27,864,718	1.9851	55,314,251.77	
Protein	18,362,186	3.1307	57,486,495.75	
Other Solids	33,801,379	0.4645	15,700,740.58	128,501,488.10
Class IV— Butterfat	16,240,052	1.9851	32,238,127.23	
Nonfat Solids	45,063,068	1.0607	47,798,396.21	80,036,523.44
<b>Total Classified Value</b>				<b>\$443,675,068.28</b>
Add: Overage—All Classes				47,071.33
Inventory Reclassification—All Classes				316,856.61
Other Source Receipts	40,728			441.71
<b>Total Pool Value</b>				<b>\$444,039,437.93</b>
Less: Value of Producer Butterfat	91,697,180	1.9851	(182,028,072.03)	
Value of Producer Protein	72,659,926	3.1307	(227,476,430.32)	
Value of Producer Other Solids	134,310,373	0.4645	(62,387,168.28)	(471,891,670.63)
<b>Total PPD Value Before Adjustments</b>				<b>(\$27,852,232.70)</b>
Add: Location Adjustment to Producers				13,462,657.53
One-half Unobligated Balance—Producer Settlement Fund				1,065,161.12
Less: Producer Settlement Fund—Reserve				(1,093,813.99)
<b>Total Pool Milk &amp; PPD Value</b>	<b>2,325,520,653</b>			<b>(\$14,418,228.04)</b>
Producer Price Differential		<b>(\$0.62)</b>		
Statistical Uniform Price		<b>\$18.34</b>		

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