

The Market Administrator's

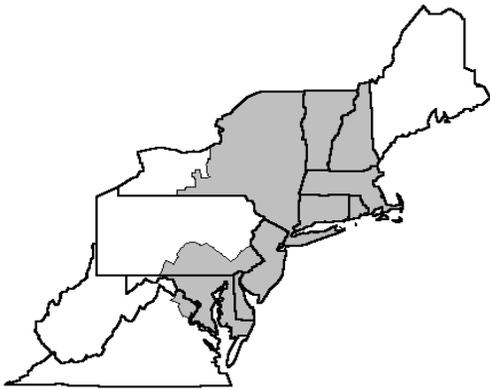
BULLETIN

NORTHEAST MARKETING AREA

Shawn M. Boockoff, Market Administrator

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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

July Pool Price Calculation

The July 2022 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$26.36 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 \$27.89 per hundredweight. The July statistical uniform price was 62 cents per hundredweight below the June price. The July producer price differential (PPD) at Suffolk County was \$3.84 per hundredweight, an increase of \$1.19 from the previous month.

Product Prices Effect

All commodity prices reported on the National Dairy Product Sales Report for July declined except butter that rose 2 cents per pound. Nonfat dry milk declined nearly 2 cents and dry whey dropped 7 cents per pound. The combined cheese price fell 15 cents per pound with blocks falling 16 cents and barrels dropping 14 cents. The commodity price changes translated to a 3-cent rise in the butter price, and declines of 2 cents for nonfat solids and 7 cents for other solids. The protein price plummeted nearly 51 cents per pound, mainly due to the drop in the cheese price. The increase in the butterfat price, which is a factor in the protein price formula, also contributed to the decline.

Class price changes were mixed: The Class I price was unchanged from June; the Class II price increased 1 cent; the Class III price fell \$1.81; and the Class IV prices decreased 4 cents, all on a per hundredweight basis. The Class I price tied with last month as a record high, and the Class II and IV prices were record highs for the Order. The SUP for July was the third highest ever for the Order. The Class III price was the lowest of the classes for the month. With a lower Class III price, the spread widened, resulting in a higher PPD—the highest since May 2011.

Selected Statistics

Average daily deliveries per producer (DDP) in June were the second highest ever for the Order. As in June, the Class III volume for July was the third highest ever for the month, surpassed only by 2001 and 2002. The average producer tests for butterfat and protein set record highs for the month; the other solids test tied with 2021 as a record high for July. ❖

Pool Summary

- A total of 8,097 producers were pooled under the Order with an average daily delivery per producer of 9,109 pounds.
- Pooled milk receipts totaled 2.286 billion pounds, a decrease of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 26.9 percent of total milk receipts, down 0.6 percentage points from June.
- The average butterfat test of producer receipts was 3.89 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	26.9	615,863,018
Class II	24.3	556,310,773
Class III	30.1	687,108,621
Class IV	18.7	427,167,127
Total Pooled Milk		2,286,449,539

Producer Component Prices

	2022	2021
	\$/lb	
Protein Price	2.9116	2.4957
Butterfat Price	3.3600	1.8996
Other Solids Price	0.3596	0.4181

Class Prices

	2022	2021
	\$/cwt	
Class I	29.12	20.67
Class II	26.66	16.83
Class III	22.52	16.49
Class IV	25.79	16.00

Consumer Expenditure Surveys

The United States Bureau of Labor Statistics (BLS) conducts a series of surveys across the United States to collect data on consumer spending. The Consumer Expenditure Survey (CES) provide statistics on expenditures, income, and demographic characteristics of consumers within the United States. This data provides valuable insight into the behavior of consumers. Data is collected from numerous households across the country tracking expenditures made. Collected data can be broken down into several different characteristics such as income, geographic regions, age, race, and occupation. Two important terms used in reference to the survey are Consumer Unit (CU) and Reference Person (RP). A CU is the term used by the CES to refer to a household. A CU can be made up of a range of living situations but commonly is defined as a household related by blood, marriage, or adoption. The RP is the person or one of the persons who owns or rents the home according to the respondent of the CES; the RP could be traditionally viewed as the head of the household.

The focus of this article will be on CU spending on dairy products in relation to age of the RP between 2000 and 2020. Dollar value of expenditures have been adjusted to the first quarter of 2022, using data from the consumer price index. The CES categorizes dairy products in three ways: Dairy Products, Fresh Milk & Cream, and Other Dairy Products. The Dairy Products group is composed of the other two categories. Products included in Fresh Milk & Cream are “fresh whole milk and other fresh milk, such as buttermilk and fresh cream (including table cream, whipping cream, fresh sour cream, and fresh sour cream dressing).” Other Dairy Products includes “butter, cheese, ice cream products, yogurt, powdered milk, condensed and evaporated milk, liquid and powdered diet beverages, malted milk, milk shakes, chocolate milk, and other specified dairy products.” (<https://www.bls.gov/cex/csxgloss.htm>)

CU Dairy Expenditures by Age of RP in 2020

In 2020 and adjusted to 2022-dollar value, the under 25 years age group spent the least on Dairy Product expenditures per CU at \$241.16 per year. The 35-44 years category spent the most at \$664.33 per year per CU. The rest of the age ranges in descending order are 45-54 years (\$625.66 per year), 65-74 years (\$542.62 per year), 55-64 years (\$524.41 per year), 25-34 years (\$491.43 per year), and 75 years & older (\$408.38 per year).

Except for the under 25 years group, the order changes when taking into consideration the average number of persons per CU. The average number of Dairy Product expenditures per person per year in 2020 are as follows in descending order: 65-74 years (\$285.59 per person per year), 75 years and older (\$255.24 per person per year),

55-64 years (\$238.37 per person per year), 45-54 years (\$215.74 per person per year), 35-44 years (\$195.39 per person per year), 25-34 years (\$182.01 per person per year), and under 25 years (\$114.84 per person per year).

2000-2020 Trends

The 75 years & older age group spend the largest percent of total CU expenditures on food at home expenses at 8.5 percent, on a 20-year average, and of that 11.0 percent was spend on Dairy Products. The 65-74 age range was the only other group above 8.0 percent of total CU expenditures on food at home expenses (8.1 percent), while all other age ranges spend between 7.2 to 7.6 percent. Except for the 75 years & older group, all age ranges spent between 10.3 to 10.8 percent of food at home expenditures on Dairy Products on a 20-year average.

When comparing 2000 Dairy Product expenditures to 2020 there was an increase in age groups 35-44 years (1.5 percent), 65-74 years (2.3 percent), and 75 years & older (1.2 percent). All other age groups experienced a decline, 55-64 years (4.5 percent), 45-54 years (3.0 percent), 25-34 years (9.4 percent), and under 25 years (19.3 percent). A similar trend is witnessed when comparing the average year-to-year changes in each grouping, except the 45-54 years group that experienced no noticeable change year-to-year. The under 25 years group decreased Dairy Product expenditures an average of 0.5 percent year-over-year, 25-34 years decreased 0.3 percent, 35-44 years increased 0.2 percent, 55-64 years declined 0.1 percent, and the two highest age groups each grew 0.4 percent.

Fresh Milk & Cream and Other Dairy Expenditures

What determined the overall increase or decrease in Dairy Product expenditures was if the age group increased Other Dairy Product expenditures more than the decrease in Fresh Milk & Cream expenditures. All age groups experienced a decline in Fresh Milk & Cream expenditures while increasing Other Dairy Product expenditures. The under 25 years group had the largest decline in average year-over-year Fresh Milk & Cream expenditures (1.5 percent) and the smallest increase in average year-over-year Other Dairy Product expenditures (0.3 percent). The 75 years & older group had the largest increase in average year-over-year Other Dairy Product expenditures (1.6 percent) and an average year-over-year Fresh Milk & Cream expenditures decrease (1.3 percent). The smallest average year-over-year Fresh Milk & Cream expenditures decline (0.9 percent) was the 45-54 years group, which had a 0.6 percent average year-over-year increase of Other Dairy Product expenditures. ❖

Market Update

Statistical uniform prices (SUP) in 2022 have been record setting—April, May, June, and July have 4 of the top 5 highest SUPs in the past 22 years. Using August 17, 2022, Chicago Mercantile Exchange (CME) futures prices of Class III and IV milk and estimates of Northeast Order class utilizations, the SUP at the Boston, MA, location projects 2022 to average \$24.69 per hundredweight (cwt) with an average producer price differential (PPD) of \$2.64 per cwt. The estimated average 2022 SUP is \$6.81 above the 2021 SUP average and the estimated 2022 PPD average is \$1.84 higher than the 2021 PPD average. CME futures prices of Class III and IV milk average \$22.05 and \$23.99 per cwt, respectively, and suggest a 2022 average Class I milk price of

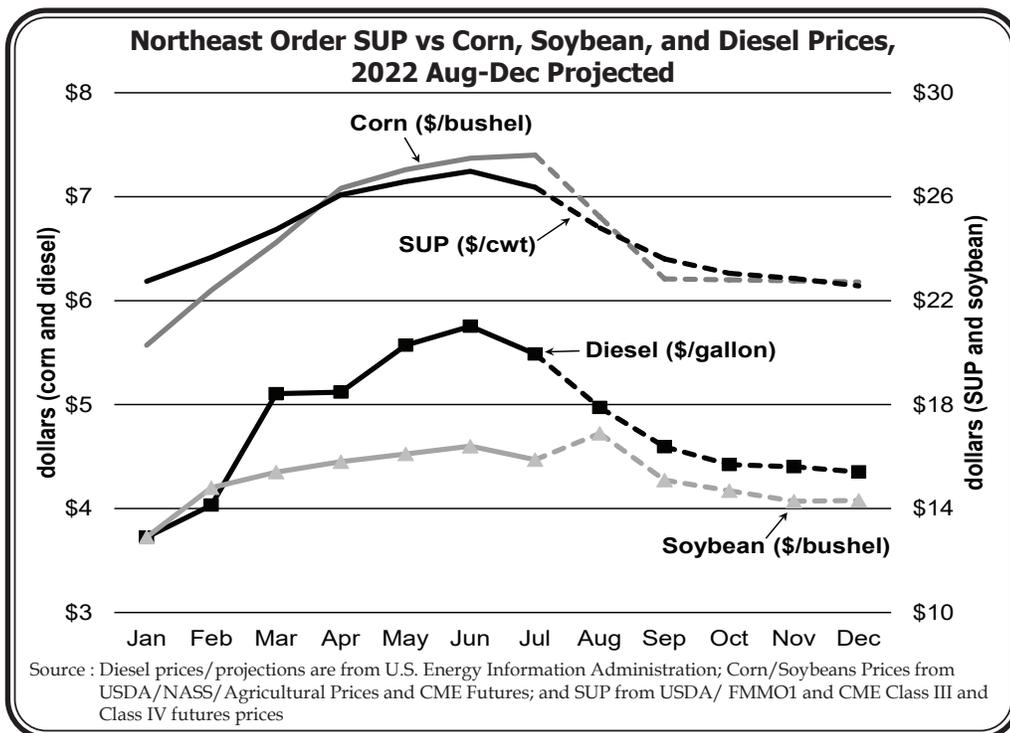
\$26.79 per cwt and a Class II price of \$24.69 per cwt. June is projected to be the peak of SUP prices in 2022, using CME futures prices for the remainder of 2022, SUPs are estimated to be on average \$5.00 per cwt above 2021 SUPs for the same months.

Feed Prices

Feed Prices in the second quarter of 2022 have continued the month-over-month increases that occurred in the first quarter, as displayed in the accompanying chart. Corn prices increased 32.3 percent from January to June, starting the year at \$5.57 per bushel and rising to \$7.37 per bushel. Using August 10 CME prices, corn futures prices project the price to drop after July below \$7.00 per bushel for the remainder of the year and average \$6.55 per bushel for 2022. Soybean prices increased 27.1 percent in the first half of 2022, starting the year at \$12.90 per bushel and rising to \$16.40 per bushel by June. CME futures for soybeans predict a peak in August (\$16.89 per bushel) and end the year at \$13.93 with a yearly average of \$15.09 per bushel. Alfalfa hay prices rose to \$245.00 per ton in June from \$211 in January, an increase of 16.1 percent.

Exports

According to the U.S. Dairy Export Council (USDEC) U.S. dairy export values in 2022 through the month of June increased 27 percent over 2021, an increase of \$1.01 billion for a total of \$4.8 billion in the first half of 2022. Total milk solids exports for the same time increased 2 percent, 26,573 metric tons (MT), from the previous year, largely due to significant increased exports of cheese, lactose, and butterfat. Year-over-year cheese exports grew by 17 percent, having exported an additional 33,556 MT. Increased U.S. cheese



exports have been driven by available supply, affordability, and increased demand in Mexico and Central America. Lactose exports expanded by 12 percent and butterfat by 43 percent. Non-fat dry milk and skim milk powder was the only major U.S. dairy exported product to see a decline in 2022, dropping 8 percent (38,382 MT) from 2021. Dry whey product exports increased by 1 percent, totaled 3,494 MT more than 2021.

Fuel

According to the U.S. Energy Information Administration (USEIA) the cost of retail diesel has increased \$1.77 per gallon from January to July 2022, an increase of 47.3 percent. Prices for diesel significantly increased from January to June, but dropped 27-cents between June and July. The USEIA forecast diesel fuel prices to continue to decline for the remainder of the year, predicting a yearly average price of \$4.79 per gallon, a 23-cent per gallon month-to-month decline for the remainder of 2022, and ending the year with a December price of \$4.35 per gallon.

Inflation

The Bureau of Labor Statistics (BLS) reported the Consumer Price Index (CPI) increased 8.5 percent for all items in July 2022 vs July 2021, with a 10.9 percent increase in the cost of food. The CPI for dairy and related products grew 14.9 percent relative to July 2021 and rose 1.7 percent from June. Milk prices were up 15.6 percent, with whole milk prices at 14.5 percent and fresh milk other than whole at 16.5 percent. Cheese and ice cream prices reported annual increases to 12.6 percent and 11.3 percent, respectively, while all other dairy and related product prices rose 18.9 percent. ❖

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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	600,995,025	\$17.89	\$107,518,009.97	
Butterfat	14,867,993	3.3868	50,354,918.69	
Less: Location Adjustment to Handlers			(2,692,003.66)	\$155,180,925.00
Class II— Butterfat	32,799,645	3.3670	110,436,404.75	
Nonfat Solids	48,061,887	1.7133	82,344,431.00	192,780,835.75
Class III— Butterfat	29,111,970	3.3600	97,816,219.20	
Protein	20,990,126	2.9116	61,114,850.87	
Other Solids	39,559,243	0.3596	14,225,503.77	173,156,573.84
Class IV— Butterfat	12,221,360	3.3600	41,063,769.60	
Nonfat Solids	38,143,579	1.6160	61,640,023.63	102,703,793.23
Total Classified Value				\$623,822,127.82
Add: Overage—All Classes				16,614.45
Inventory Reclassification—All Classes				(92,379.67)
Other Source Receipts	82,930			5,341.20
Total Pool Value				\$623,751,703.80
Less: Value of Producer Butterfat	89,000,968	3.3600	(299,043,252.48)	
Value of Producer Protein	69,851,559	2.9116	(203,379,799.19)	
Value of Producer Other Solids	131,952,484	0.3596	(47,450,113.22)	(549,873,164.89)
Total PPD Value Before Adjustments				\$73,878,538.91
Add: Location Adjustment to Producers				13,774,219.46
One-half Unobligated Balance—Producer Settlement Fund				1,267,595.18
Less: Producer Settlement Fund—Reserve				(1,117,506.85)
Total Pool Milk & PPD Value	2,286,532,469			\$87,802,846.70
Producer Price Differential		\$3.84		
Statistical Uniform Price		\$26.36		

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