

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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August Pool Price Calculation

The August 2022 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$25.42 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 \$26.80 per hundredweight. The August statistical uniform price was 94 cents per hundredweight below the July price. The August producer price differential (PPD) at Suffolk County was \$5.32 per hundredweight, an increase of \$1.48 from the previous month.

Product Prices Effect

Similar to last month, all commodity prices reported on the National Dairy Product Sales Report for August declined except butter that rose 3 cents per pound. Nonfat dry milk dropped 13 cents and dry whey declined 4 cents per pound. The combined cheese price fell nearly 23 cents per pound with blocks falling 21 cents and barrels dropping almost 24 cents. The commodity price changes translated to a 4-cent rise in the butter price and declines of 13 cents for nonfat solids and 4.5 cents for other solids. The protein price plummeted nearly 77 cents per pound, mainly due to the drop in the cheese price.

Class price changes were mostly down: The Class I price was decreased 74 cents; the Class II price increased 25 cents; the Class III price fell \$2.42; and the Class IV prices dropped 98 cents, all on a per hundredweight basis. The Class II price was a record high for the Order. With a lower Class III price, the spread widened, resulting in a higher PPD—the highest since the Order's inception.

Selected Statistics

Average daily deliveries per producer (DDP) set a record high for August. Total producer receipts were the third highest for the month and Class III set a new record for August. The average producer tests for butterfat and protein tied with 2021 as record highs for the month; the other solids test tied with 2015 as a record high for August. ❖

Pool Summary

- A total of 8,116 producers were pooled under the Order with an average daily delivery per producer of 8,999 pounds.
- Pooled milk receipts totaled 2.264 billion pounds, a decrease of 1.0 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 28.7 percent of total milk receipts, up 1.8 percentage points from July.
- The average butterfat test of producer receipts was 3.86 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	28.7	650,240,290
Class II	25.5	578,446,569
Class III	30.1	680,390,699
Class IV	15.7	354,955,926
Total Pooled Milk		2,264,033,484

Producer Component Prices

	2022	2021
	\$/lb	
Protein Price	2.1417	2.4582
Butterfat Price	3.4001	1.8508
Other Solids Price	0.3146	0.3735

Class Prices

	2022	2021
	\$/cwt	
Class I	28.38	20.15
Class II	26.91	16.51
Class III	20.10	15.95
Class IV	24.81	15.92

Comparing PPDs

The Producer Price Differential (PPD) for August 2022 for the Northeast Order set a record high at \$5.32 per hundredweight (cwt) at the base location of Boston, MA. The PPD is one portion of the total revenue paid to dairy farmers marketing milk in a federal order that pay producers based on milk components. It represents the difference between the market-wide pool revenue, or the pool classified value, and the amount paid out to producers for their milk's component value (butterfat, protein, and other solids) at the standardized level.

The pool classified value is determined by the amount of milk utilized in each class, along with the price level for each class. Producers are paid for their components from this pool classified value. Components are paid at the Class III level for butterfat, protein, and other solids. Any value that still exists in the total pool classified value is then paid out to producers based on their volume shipped to regulated handlers. This extra value, if there is any, is shown as the PPD. It can have extremely varied levels of contribution to the overall SUP. Added value occurs when producer milk is used in classes other than Class III that have prices above the Class III price.

For the month of August 2022, the difference between the classes other than Class III ranged from \$4.71 to \$8.28 per cwt. With nearly 70 percent of the total pool volume priced at the higher valued classes and those classes having significantly higher prices than Class III in August, a larger than usual amount of money was generated that was then distributed to

producers resulting in the \$5.32 PPD. Each producer would receive this PPD adjusted to the location of the plant where their milk was delivered.

High PPD, Low SUP

A high, or large PPD is not necessarily an indicator of better prices. The second highest ever PPD since the Northeast Order's inception occurred in November 2000 at \$4.79 per cwt. For that same month, the SUP was only \$13.36 at Boston; Class I was \$15.07; Class II \$13.68; Class III \$8.57; and Class IV \$13.00 per cwt. During November 2000, Class III usage was 28.4 percent (compared to 30.1 in August 2022), while the other three classes combined for 71.6 percent of the total pool (compared to 69.9 in August 2022).

Low PPD, High SUP

Another point worth making is that a high SUP may occur in times of low or negative PPD's. For example, April 2014 reported a SUP of \$25.46, slightly higher than the most recent SUP, but the PPD for that month was only \$1.15 per cwt. July 2020 reported the lowest PPD, a negative \$5.46, but a SUP of \$19.08, lower than current prices, but well above the November 2000 price when the PPD was \$4.79 per cwt. This shows that a negative PPD does not necessarily result in diminished producer revenue. The negative PPD results when the total value of producer components exceeds the pool's classified value – when the Class III price is the highest of the class prices. The calculation of the PPD can be thought of as an accounting method to “balance the books” of the monthly federal order pool. ❖

Consumer Expenditure Surveys

Previous issues of the *Bulletin* this year examined milk expenditures by region, family type, and age; this article will focus on expenditures by race. It uses data collected by the US Bureau of Labor Statistics' Consumer Expenditure Survey (CES) for a Consumer Unit (CU) and Reference Person (RP).

The focus of this article will be on CU spending on dairy products in relation to race and Hispanic/Latino origin of the RP between 2003 and 2021. 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. More detail on the survey and definitions of categories discussed in this article can be found at <https://www.bls.gov/cex/csxgloss.htm> or in the July *Bulletin*.

The CES categorizes race into three distinct groups - Black or African American, Asian, and White & All Other Races. The “All Other Races” group comprises such races as Native Americans, Alaskan Natives, Pacific Islanders, and those reporting more than one race. The

CES also observes, as a separate characteristic, the Hispanic/Latino origin of the RP. The RP can identify as Hispanic/Latino or Not Hispanic/Latino in addition to identifying as one of the races listed above. The CES reports Not Hispanic/Latino into two subcategories White, Asian, & All Other Races and Black or African American.

Race

In 2021, the White & All Other Races group on average spent \$567.07 per CU on Dairy Product expenditures for the year; broken down, each CU on average spent \$175.99 on Fresh Milk & Cream and \$391.08 on Other Dairy Products. Historically, the White & All Other Races group has spent the most on Dairy Products of the three groups, an average of \$231.55 on Dairy Products per person per CU in the past 18 years. This group has also spent the highest percent on Dairy Products as a portion of annual CU food expenditures at a 6.3 percent 18-year average. Comparing 2021 to 2003, the *(continued on page 3)*

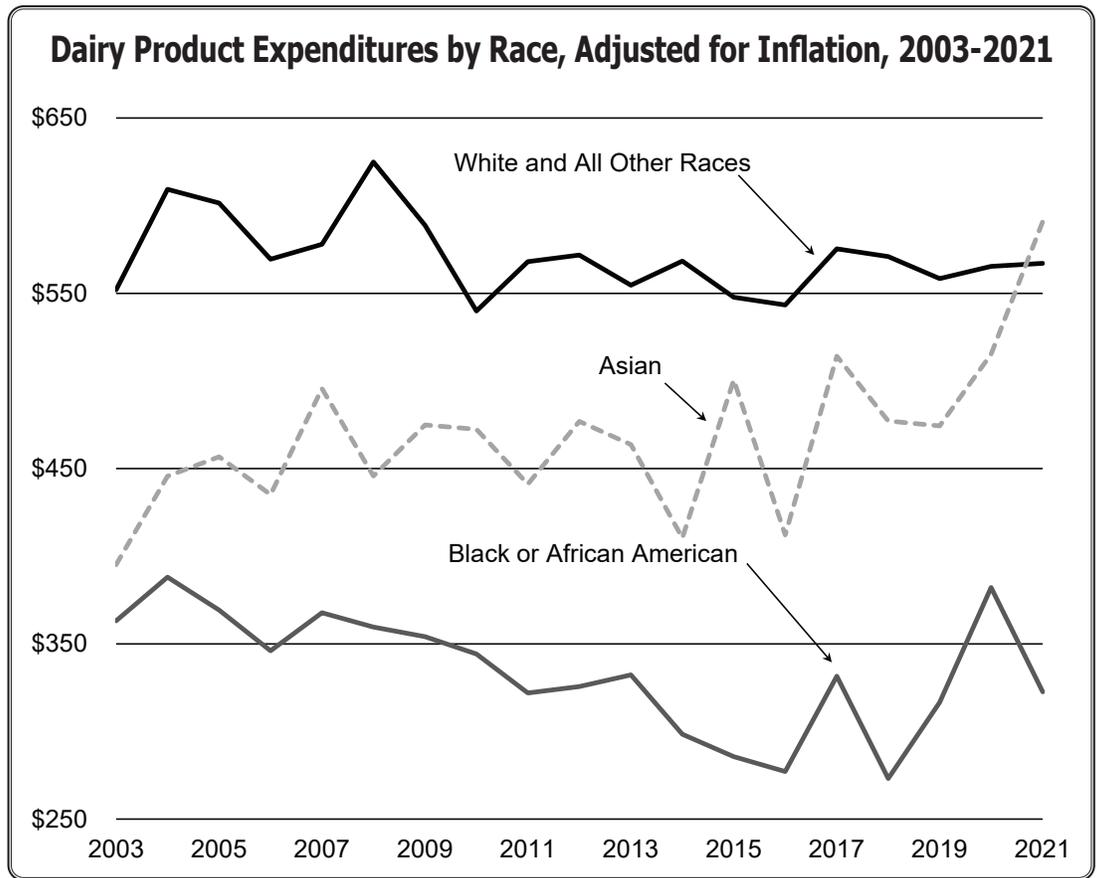
Consumer Expenditure Surveys (continued from page 2)

White & All Other Races demographic increased spending on Dairy Products by 2.7 percent, brought on by a 14.2 percent increase in Other Dairy Product expenditures and despite a 16.7 percent decrease in Fresh Milk and Cream purchases.

The Asian demographic has greatly increased its demand for Dairy Products since 2003, increasing expenditures by 49.5 percent between 2021 and 2003, an average yearly increase of 2.9 percent. Due to continuous increased spending on Dairy Products since 2019, the Asian demographic surpassed the White & All Other Races group for most Dairy Product Expenditures per CU in 2021 for the first time,

at \$590.97 (as shown in the graph above). However, when adjusted for per person per CU in 2021 the Asian demographic does fall around \$25 short of the White & All Other Races grouping, spending \$211.06 compared to \$236.28 respectively. This growth in Dairy Product expenditures has been fueled by a 60.3 percent increase in Other Dairy spending and a 35.2 percent increase in Fresh Milk & Cream spending, the latter being the only positive change of the three racial groups.

The Black or African American demographic since 2003 continuously has spent the least on Dairy Product expenditures per CU among the three groups, having spent \$322.65 per CU in 2021, a 11.2 percent decrease from 2003. Fresh Milk & Cream expenditures decreased 24.9 percent and Other Dairy expenditures by 1.5 percent over 18 years. Between 2003 and 2021, on average, the Black or African American demographic spent 41.4 percent less on Dairy Product expenditures per year than the White & All Other Races group and 28.0 percent less than the Asian group. Out of the four U.S. regions categorized by the CES, the largest concentration of Black or African American identified CU surveyees was in the South at 19.5 percent of an 18-year average; this compares to the Northeast (11.6 percent), Midwest (9.9 percent), and West (4.6 percent). Southern CUs have consistently spent the least on Dairy Product expenditures per CU since 2003, spending



almost \$63 less than the second least (Midwest) over an 18-year average. The low number of Dairy Product expenditures in both suggests a correlation between the Black or African American demographic and South region.

Hispanic or Latino Origin

CUs where the RP is of Hispanic/Latino origin decreased Dairy Product expenditures by 16.3 percent between the years 2003 and 2021, brought on by a 27.9 percent decline in Fresh Milk and Cream spending and 7.4 percent drop in Other Dairy Product expenditures. Despite being the only group of the three to experience a decline in Other Dairy expenditures, in 2021 the group did spend on average \$103.20 more on Other Dairy expenditures than the Not Hispanic/Latino Black or African American group. Also in 2021, the Hispanic/Latino demographic spent on average \$184.64 on Fresh Milk and Cream per CU, spending \$6.52 more than Not Hispanic/Latino White, Asian, & All Other Races group and \$69.53 more than Not Hispanic/Latino Black or African American group. When accounting for the average number of persons per CU, the Hispanic/Latino demographic spent \$78.58 less than the Not Hispanic/Latino White, Asian, & All Other Races group and \$33.72 more than the Not Hispanic/Latino Black or African American group. ❖

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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	634,770,972	\$17.00	\$107,911,065.24	
Butterfat	15,469,318	3.4211	52,922,083.81	
Less: Location Adjustment to Handlers			(2,831,701.43)	\$158,001,447.62
Class II— Butterfat	32,470,747	3.4071	110,631,082.07	
Nonfat Solids	50,070,171	1.7256	86,401,087.07	197,032,169.14
Class III— Butterfat	28,617,411	3.4001	97,302,059.19	
Protein	20,728,382	2.1417	44,393,975.74	
Other Solids	39,176,994	0.3146	12,325,082.33	154,021,117.26
Class IV— Butterfat	10,908,075	3.4001	37,088,545.80	
Nonfat Solids	31,600,567	1.4862	46,964,762.68	84,053,308.48
Total Classified Value				\$593,108,042.50
Add: Overage—All Classes				428,104.67
Inventory Reclassification—All Classes				(651,867.75)
Other Source Receipts	308,787			25,199.23
Total Pool Value				\$592,909,478.65
Less: Value of Producer Butterfat	87,465,551	3.4001	(297,391,619.96)	
Value of Producer Protein	69,036,351	2.1417	(147,855,152.98)	
Value of Producer Other Solids	130,676,835	0.3146	(41,110,932.29)	(486,357,705.23)
Total PPD Value Before Adjustments				\$106,551,773.42
Add: Location Adjustment to Producers				13,606,257.92
One-half Unobligated Balance—Producer Settlement Fund				1,273,848.23
Less: Producer Settlement Fund—Reserve				(968,870.85)
Total Pool Milk & PPD Value	2,264,342,271			\$120,463,008.72
Producer Price Differential		\$5.32		
Statistical Uniform Price		\$25.42		

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