

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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November 2022

Federal Order No. 1

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November Pool Price Calculation

The November 2022 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$24.27 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 \$26.94 per hundredweight. The November statistical uniform price was 50 cents per hundredweight below the October price. The November producer price differential (PPD) at Suffolk County was \$3.26 per hundredweight, an increase of 30 cents from the previous month.

Product Prices Effect

Nearly all commodity prices reported on the National Dairy Product Sales Report declined in November. Butter plummeted 24 cents per pound after setting a record high in October at \$3.1911 per pound. Nonfat dry milk declined nearly 8 cents and dry whey decreased 1 cent, both on a per pound basis. The cheese price fell almost 7 cents per pound due to the combination of a 3-cent increase in the block price offset by a nearly 15-cent decrease in the barrel price. The commodity price changes translated to a 28-cent drop in the butterfat price, a 1-cent decrease in other solids, and a nearly 8-cent decline in other solids. The protein price rose almost 9 cents per pound due mainly to the decline in the butterfat price, which is a factor in the protein price formula.

Class prices were mostly down. The only increase was \$1.38 per hundredweight in the Class I price, which was based on higher prices in October. Class II decreased \$1.06; Class III declined 80 cents; and Class IV fell \$1.66, all on a per hundredweight basis. The spread between the higher- and lower-class prices increased, resulting in a higher PPD. The November SUP and the Class I, II, and IV prices were the highest ever for the month.

Selected Statistics

Average daily deliveries per producer (DDP) set a record high for November and topped 9,000 pounds for the first time for the month. The total volume of producer receipts was the third highest for the month of November. Class III volume was the highest ever for the month, and Class IV was the second highest ever for November. The average producer other solids test set a record high for November and tied for an Order record high. ❖

Pool Summary

- A total of 8,039 producers were pooled under the Order with an average daily delivery per producer of 9,035 pounds.
- Pooled milk receipts totaled 2.179 billion pounds, an increase of 0.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 31.1 percent of total milk receipts, up 0.9 percentage points from October.
- The average butterfat test of producer receipts was 4.11 percent.
- The average true protein test of producer receipts was 3.23 percent.
- The average other solids test of producer receipts was 5.79 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.1	677,409,391
Class II	22.8	496,458,874
Class III	28.7	626,228,380
Class IV	17.4	378,777,636
Total Pooled Milk		2,178,874,281

Producer Component Prices

	2022	2021
	\$/lb	
Protein Price	2.5374	2.7536
Butterfat Price	3.3720	2.1541
Other Solids Price	0.2837	0.3949

Class Prices

	2022	2021
	\$/cwt	
Class I	27.34	21.23
Class II	24.67	18.40
Class III	21.01	18.03
Class IV	23.30	18.79

Looking Ahead 2023

Projections using the Chicago Mercantile Exchange (CME) Class III and IV milk futures prices as settled on December 14, 2022, suggest the statistical uniform price (SUP) will average \$24.97 per hundredweight (cwt) for 2022. This is an increase of \$7.09 per cwt over the 2021 average and projected to be the largest year-to-year average SUP increase in the last 22 years. This article reviews some supply and demand factors and some economic indicators with a look to 2023. It is typically a challenge to forecast dairy prices beyond a few months in what might be considered a more normal year. A projection of where prices are expected to go in 2023 is offered based on futures prices.

Select Cost Factors

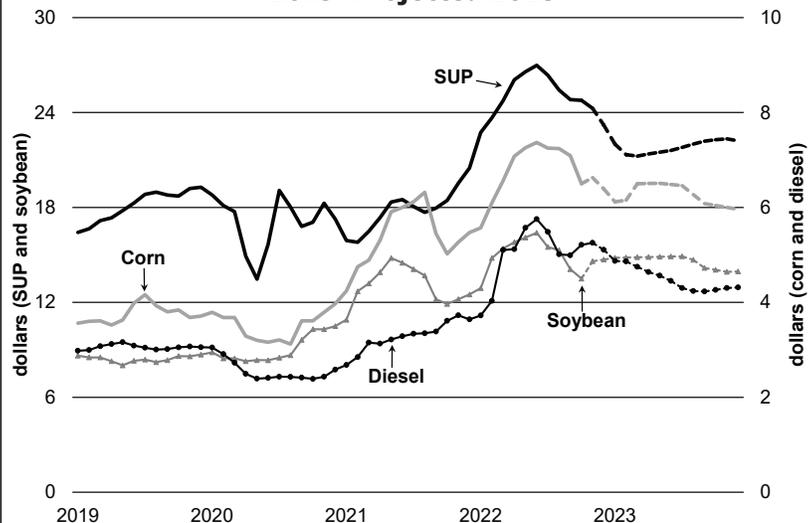
Significant input cost increases prevalent through 2021 have continued into 2022; record inflation, supply chain issues, labor shortages, and drought conditions are among some of the factors creating these increases. The price of corn, soybeans, alfalfa hay, and diesel have all increased more than 13 percent between October 2021 and October 2022. Feed prices in 2022 are some of the highest seen in recent years; new 13-year record high prices have been set for both soybean (June at \$16.40 per bushel) and alfalfa hay (October at \$281.00 per bushel). Corn prices for October 2022, as reported by the National Agricultural Statistics Service (NASS), were \$6.50 per bushel, a year-to-year increase of 29 percent. CME corn futures, settled on December 14, imply the price will average \$6.75 per bushel for the year and continue a gradual decrease in 2023. NASS soybean prices have dropped to \$13.50 per bushel in October from the year's peak in June. CME soybean futures suggest an average price between \$14.00 and \$15.00 per bushel for 2023. Alfalfa hay prices, as reported by NASS, decreased December 2021 to January 2022 but have continually increased month-to-month throughout 2022, except for August. Since January, alfalfa hay prices have increased 32 percent to \$281.00 per bushel in October.

According to the U.S. Energy Information Administration (USEIA), the cost of retail diesel increased 45 percent between January and November, an increase of \$1.49 per gallon. The USEIA reported the national average price for retail diesel in November was \$5.26 per gallon. The USEIA forecast diesel fuel prices to slowly decline starting in December of 2022, and through 2023, predicting an average price of \$4.48 per gallon in 2023 with a yearly low in September 2023 at \$4.23 per gallon. The accompanying graph shows the SUP, corn, soybean, and USEIA retail diesel prices since January 2019 and projected through 2023.

Supply Factors

The United States Department of Agriculture's (USDA) *World Agricultural Supply and Demand Estimates* December

Northeast Order SUP vs Corn, Soybean, and Diesel Prices, 2019–Projected 2023



Source: U.S. Energy Information Administration; CME; and USDA/NASS, *Agricultural Prices*.

report anticipates a 1.1 percent increase in U.S. dairy production, to an estimated 229.5 billion pounds for 2023 compared to the projected 227.0 billion pounds for 2022. The November 21 USDA NASS *Milk Production* report showed an increase of 1.4 percent for the 24 major milk producing states in October. Since June, U.S. milk production in 2022 has surpassed the previous year each month in the 24 major milk producing states. U.S. monthly milk per cow (MPC) for 2022 has not reached the heights experienced in the first half of 2021 but, since August, each month in 2022 has outperformed 2021, with October 2022 at 2,021 pounds MPC compared to 2,003 pounds MPC in October 2021.

The Federal Reserve Bank has increased rates 4.25 percentage points so far in 2022. The increased cost of borrowing has some analysts suggesting dairy farmers will forego improvements and expansions, and thus negatively impacting milk production growth.

Demand Factors

According to the U.S. Dairy Export Council (USDEC), between January and October 2022, dairy exports on a total milk solids basis increased 4 percent vs 2021 and totaled 2,592,228 metric tons (for a value of \$8,081 million, 25 percent above 2021). The U.S. has exceeded dairy exports from 2021 and 2020 for the months of January to October, exporting 2,484,637 metric tons in 2021 and 2,255,627 metric tons in 2020. Skim milk powder/nonfat dry milk (SMP/NFDM) account for the largest category of dairy exports (27 percent); through October, 693,529 metric tons of SMP/NFDM have been exported, a decrease of 8 percent from 2021. Southeast Asia and Mexico are the two largest importers of U.S. SMP/NFDM; Mexico has experienced a 1 percent year-over-year increase, while Southeast Asia imports decreased 6 percent.

(continued on page 3)

Looking Ahead (continued from page 2)

According to the USDA Foreign Agricultural Service, through the months of January to November 2022, 39,749 metric tons of licensed dairy imports have been brought into the U.S.; 576 more metric tons than 2021 and 1,944 metric tons more than 2020 during the same months.

Domestic Situation

The U.S. Bureau of Labor Statistics (BLS) reported the November 2022 unemployment rate at 3.7 percent; except for January, the unemployment rate in 2022 has remained relatively stable, falling in the 3.5-3.8 percent range. The Conference Board's Consumer Confidence Index (CCI), a measurement of the consumer's view of the health of the economy, is at 100.2 for November, down from 102.2 in October; a CCI score above 100 means consumers feel optimistic about the economy. The decline is believed to be brought on by the rise in gas prices in November. The Restaurant Performance Index (RPI) stood at 101.9 in October, a 0.8 percentage point increase from the previous month. Values over 100 suggest expansion of the market; index values have remained over 100 since late 2020. The Expectations Index, which measures the six-month outlook for restaurant operations, stood at 102.3 in October, a growth of 0.7 percentage points from September and the third increase in 3 months. The BLS reported the Consumer Price Index (CPI) increased 7.1 percent for all items in November 2022 vs November 2021. The CPI for dairy and related products increased significantly more than all items, at 16.4 percent for November 2022 relative to November 2021. All dairy product groupings included in the CPI had a combined annual increase greater than 13.0 percent. Fresh whole milk prices increased 13.1 percent; fresh milk other than whole prices 15.6 percent; ice cream and related products 17.5 percent; cheese and related products 12.4 percent; and other dairy and related products 22.4 percent.

Outlook 2023

USDA forecasts the all-milk price for 2023 to be \$22.70 per cwt. Using December 14 CME Class III and Class IV future prices, the 2023 Northeast SUP is estimated to average \$21.82 per cwt. ❖

2023 Payment Dates to Producers

The calendar below shows the dates for partial payments to producers that are not members of cooperatives. Partial payments are paid to producers for the milk received by pool handlers during the first 15 days of the month and are paid at not less than the lowest announced class price for the preceding month, less proper deductions authorized in writing by the producer. As required by the Order, payment must be made so that a producer receives it no later than the date shown. The table dates vary due to weekends and national holidays.

The final payment date that non-member producers must be paid is dependent on the date that the statistical uniform price is announced. Each month, the date that final payments to producers must be received by is printed on the back of the Pool Price Announcement. The final payment is for the remaining milk received and is priced such that the producer should receive an average price for the entire month's milk at roughly the uniform price with adjustments for zone differential, component values, and other deductions relevant to that producer.

Producers that are members of cooperatives usually receive payments at the same time, although it is not required by the Order. ❖

Required Producer Payments Under the Northeast Order

Month Milk Produced	Partial Payment Due	
	Day	Date
January	Thursday	1/26/23
February	Monday	2/27/23
March	Monday	3/27/23
April	Wednesday	4/26/23
May	Friday	5/26/23
June	Monday	6/26/23
July	Wednesday	7/26/23
August	Monday	8/28/23
September	Tuesday	9/26/23
October	Thursday	10/26/23
November	Monday	11/27/23
December	Tuesday	12/26/23

USDA Extends DMC Enrollment

The USDA's Farm Service Agency (FSA) recently announced that it has extended the enrollment and coverage election period for 2023 Dairy Margin Coverage (DMC) to January 31, 2023. The program's previous deadline was December 9, 2022. This voluntary risk management program offers protection to dairy producers when the difference between the all-milk price and the average feed price falls below the producer-selected margin trigger, ranging from \$4.00 to \$9.50 (Tier 1) or \$4.00 to \$8.00 (Tier 2), calculated monthly.

Supplemental DMC is applicable to calendar years

2021, 2022, and 2023. Eligible dairy operations with less than 5 million pounds of established production history may enroll supplemental pounds. For producers who enrolled in Supplemental DMC in 2022, the supplemental coverage will automatically be added to the 2023 DMC contract. Producers who did not enroll in Supplemental DMC in 2022 can do so now; they should complete their Supplemental DMC enrollment before enrolling in 2023 DMC. For more information on DMC, visit DMC webpage, <http://www.fsa.usda.gov/programs-and-services/dairy-margin-coverage-program/index>. ❖

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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	660,743,278	\$14.88	\$98,618,599.77	
Butterfat	16,666,113	3.7099	61,829,612.62	
Less: Location Adjustment to Handlers			(2,959,276.29)	\$157,188,936.10
Class II— Butterfat	31,634,376	3.3790	106,892,556.54	
Nonfat Solids	43,692,429	1.4789	64,616,733.26	171,509,289.80
Class III— Butterfat	27,595,895	3.3720	93,053,357.94	
Protein	20,120,685	2.5374	51,054,226.15	
Other Solids	36,229,995	0.2837	10,278,449.57	154,386,033.66
Class IV— Butterfat	13,608,022	3.3720	45,886,250.19	
Nonfat Solids	3,439,457	1.3233	45,514,337.10	91,400,587.29
Total Classified Value				\$574,484,846.85
Add: Overage—All Classes				334,217.80
Inventory Reclassification—All Classes				(857,525.02)
Other Source Receipts	375,906			17,995.55
Total Pool Value				\$573,979,535.18
Less: Value of Producer Butterfat	89,504,406	3.3720	(301,808,857.00)	
Value of Producer Protein	70,300,485	2.5374	(178,380,450.69)	
Value of Producer Other Solids	126,257,972	0.2837	(35,819,386.65)	(516,008,694.34)
Total PPD Value Before Adjustments				\$57,970,840.84
Add: Location Adjustment to Producers				12,984,767.46
One-half Unobligated Balance—Producer Settlement Fund				1,079,129.89
Less: Producer Settlement Fund—Reserve				(992,990.60)
Total Pool Milk & PPD Value	2,179,194,709			\$71,041,747.59
Producer Price Differential		\$3.26		
Statistical Uniform Price		\$24.27		

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