



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

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August 2023

Federal Order No. 1

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August Pool Price Calculation

The August 2023 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$19.43 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 \$21.14 per hundredweight. The August statistical uniform price was \$1.20 per hundredweight above the July price. The August producer price differential (PPD) at Suffolk County was \$2.24 per hundredweight, a decrease of \$2.22 from the previous month.

Product Prices Effect

National Dairy Product Sales Report commodity prices reported mixed results in August. Butter rose 18 cents while nonfat dry milk decreased 1 cent and dry whey declined less than 1 cent. The combined cheese price jumped nearly 35 cents with blocks rising 40 cents and barrels increasing nearly 30 cents, all on a per pound basis. The commodity price changes translated to a 22-cent increase in the butterfat price, a 1-cent decrease in the nonfat solids price, a less than 1-cent decline in the other solids price, and a nearly 89-cent jump in the protein price, again all on a per pound basis.

Class price changes were mixed: Class I dropped 70 cents based on lower prices in July; Class II increased 79 cents; Class III jumped \$3.42, due to the large increase in the cheese price; and Class IV rose 65 cents, all on a per hundredweight basis. Even with the considerable increase, Class III remained the lowest class price. Mostly higher prices resulted in an increase in the SUP. The total value of the pool increased, but the value paid to producers for components rose due to higher butterfat and protein prices combined with higher butterfat and protein tests. This resulted in a lower pay out in the PPD.

Selected Statistics

Average daily deliveries per producer (DDP) in August set a record high for the month. Class II volume was the highest ever for the Order. Total producer milk and the volume of Class III were record-setting for the month. The average producer butterfat and protein tests set new record highs for August; the other solids test tied as a record-high for the month. ❖

Pool Summary

- A total of 7,608 producers were pooled under the Order with an average daily delivery per producer of 9,796 pounds.
- Pooled milk receipts totaled 2.31 billion pounds, a decrease of 0.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 28.2 percent of total milk receipts, up 1.7 percentage points from July.
- The average butterfat test of producer receipts was 3.98 percent.
- The average true protein test of producer receipts was 3.11 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	28.2	650,965,954
Class II	28.0	645,696,931
Class III	29.7	687,117,677
Class IV	14.1	326,673,416
Total Pooled Milk		2,310,453,978

Producer Component Prices

	2023	2022
	\$/lb	
Protein Price	2.0851	2.1417
Butterfat Price	3.0218	3.4001
Other Solids Price	0.0648	0.3146

Class Prices

	2023	2022
	\$/cwt	
Class I	19.87	28.38
Class II	19.91	26.91
Class III	17.19	20.10
Class IV	18.91	24.81

Summary of Proposals at the National Hearing

1. Milk Composition

Proposal 1: Submitted by the National Milk Producers Federation This proposal seeks to amend the milk component factors in the Class III and Class IV skim milk price formulas. Specifically, the proposal seeks to increase the skim component factors to equal the weighted average non-fat solids, true protein, and other solids factors for milk pooled on Federal orders using data for the three years prior to implementation, with a 12-month implementation lag.

The factors are proposed to be updated as follows:

- Nonfat solids: from 9.0 to 9.41 per hundredweight of Class IV skim milk;
- Protein: from 3.1 to 3.39 per hundredweight of Class III skim milk; and
- Other solids: from 5.9 to 6.02 per hundredweight of Class III skim milk.

The proponent also proposes the skim component factors be updated no less than every three years, but only once the weighted average nonfat solids component for the prior three years changes by at least 0.07 percentage points. The updated component values would be calculated, and, if a change is warranted, formally announced in February of such year, with the implementation of such changes occurring March 1 of the following year.

Proposal 2: Submitted by National All-Jersey Inc. This proposal seeks to amend the milk component factors in the Class III and Class IV skim milk price formulas. The proposal seeks to update the factors annually using the previous year's weighted average calculations, with a 12-month implementation lag.

2. Surveyed Commodity Products

Proposal 3: Submitted by the National Milk Producers Federation This proposal seeks to eliminate the Cheddar cheese 500-pound barrel price series from protein price formula.

Proposal 4: Submitted by the American Farm Bureau Federation This proposal seeks to add 640-pound Cheddar cheese blocks to the protein price formula.

Proposal 5: Submitted by the American Farm Bureau Federation This proposal seeks to add unsalted butter to the butterfat and protein price formulas.

Proposal 6: Submitted by the California Dairy Campaign This proposal seeks to add mozzarella to the protein price formula.

3. Class III and Class IV Formula Factors

Proposal 7: Submitted by the National Milk Producers Federation This proposal seeks to amend the manufacturing cost (make) allowances found in the four component price formulas. The proposal includes the following increases:

- Butterfat: from \$0.1715 to \$0.2100 per pound of butter,

- Nonfat solids: from \$0.1678 to \$0.2100 per pound of non-fat dry milk (NFDM),
- Protein: from \$0.2003 to \$0.2400 per pound of Cheddar cheese,
- Other solids: from \$0.1991 to \$0.2300 per pound of dry whey.

The requested changes are equivalent to an increase of \$0.0385 per pound in the butter make allowance, an increase of \$0.0422 per pound in the nonfat dry milk make allowance, an increase of \$0.0397 per pound in the Cheddar cheese make allowance, and an increase of \$0.0309 per pound in the dry whey make allowance.

Proposal 8: Submitted by the Wisconsin Cheese Makers Association This proposal seeks to update the current make allowances with a 4-year phase-in implementation schedule.

PROPOSED MAKE ALLOWANCE LEVELS

Product	Current	Year 1	Year 2	Year 3	Year 4
Cheese.....	\$0.2003	0.2422	0.2561	0.2701	0.2840
Whey.....	0.1991	0.2582	0.2778	0.2976	0.3172
NFDM.....	0.1678	0.2198	0.2370	0.2544	0.2716
Butter.....	0.1715	0.2251	0.2428	0.2607	0.2785

This proposal also proposes not to adopt any of the increases described above if, prior to January 1 of that year, USDA has been provided authority and funding to conduct audited dairy product cost studies of all manufacturers of products used to set Class III and Class IV prices, has promulgated regulations implementing that authority, and has adopted make allowances pursuant thereto.

Proposal 9: Submitted by the International Dairy Foods Association This proposal seeks to update the current make allowances with a 4-year phase-in implementation schedule.

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Proposal 10: Submitted by Select Milk Producers, Inc. This proposal seeks to increase the butterfat recovery factor in the Class III price formula to 93 percent, which would necessitate a corresponding increase in the butterfat yield in cheese to 1.624.

Proposal 11: Submitted by Select Milk Producers, Inc. This proposal seeks to update the specified yield factors to reflect (continued on page 3)

Summary of Proposals (continued from page 2)

actual farm-to-plant shrink. The yield factors for nonfat solids and other solids would remain unchanged. The proposed yield factors are: Butterfat: 1.22; Protein value in cheese: 1.386; and Butterfat value in cheese: 1.582.

Proposal 12: Submitted by *Select Milk Producers, Inc.* This proposal seeks to update the nonfat solids factor from 0.99 to 1.03.

4. Base Class I Skim Milk Price

Proposal 13: Submitted by the *National Milk Producers Federation* This proposal seeks to amend the base Class I skim milk price in all Federal orders. Specifically, the proposal seeks to replace the simple average of the Class III and Class IV Advanced Skim Milk pricing factors with the “higher of” the two factors and remove the additional \$0.74 per hundredweight.

Proposal 14: Submitted by the *International Dairy Foods Association* This proposal seeks to amend the base Class I skim milk price to equal the simple average of the Advanced Class III and Class IV prices, plus the “higher of” either \$0.74 or an adjuster equal to the 24-month (August–July) rolling simple average difference between the Advanced Class III and Class IV skim milk prices.

Proposal 15: Submitted by the *Milk Innovation Group* This proposal seeks to retain the current “average of” formula for the base Class I skim milk price and proposes to update the adjuster monthly using a 24-month look back period with a 12-month lag, i.e., the preceding the 13-to-36-month period. The “rolling” adjuster calculation would be the difference between the “higher of” the advanced Class III or IV skim milk price for each month and the “average of” the advanced Class III or IV skim milk price, averaged over the preceding 13-to-36-month period, plus the “average of” the Class III and IV advanced skim milk prices for that month.

Proposal 16: Submitted by *Edge Dairy Farmer Cooperative* This proposal seeks to change the base Class I skim milk price to the announced Class III skim milk price, plus an adjuster. The proposal seeks to amend calculation of Class I prices to use announced rather than advanced prices. The proposed adjuster would be a 36-month average (August–July) of the monthly differences between the “higher of” the advanced Class III skim milk price or advanced Class IV skim milk price, and the Class III skim milk price.

Proposal 17: Submitted by *Edge Dairy Farmer Cooperative* This proposal seeks to use the “higher of” the Class III skim milk price or the Class IV skim milk price to calculate the base Class I skim milk price. The proposal also seeks to amend calculation of Class I prices to use announced rather than advanced prices.

Proposal 18: Submitted by the *American Farm Bureau Federation* This proposal seeks to eliminate the advanced pricing of Class I milk and components, and Class II skim milk and components. As proposed, the Class II skim milk price would be equal to the Announced Class IV skim milk price plus the Class II differential; the Class II nonfat solids price would be equal to the Announced Class IV nonfat solids price plus one-hundredth of the Class II differential. The proponent proposes the Class I skim milk price would be the “higher of” the Announced Class III or Class IV skim milk prices plus the Class I differential; and the Class I butterfat price would be equal to the butterfat price plus one-hundredth of the Class I differential.

5. Class I and Class II Differentials

Proposal 19: Submitted by the *National Milk Producers Federation* This proposal seeks to update the Adjusted Class I differentials as referenced in all Federal orders for the 3,108 named counties, parishes, and independent cities in the contiguous 48 United States. The proposed update would increase Class I differentials at all locations, in varying amounts.

Proposal 20: Submitted by the *Milk Innovation Group* This proposal seeks to lower the current base Class I differential from \$1.60 to \$0.00.

Proposal 21: Submitted by the *American Farm Bureau Federation* This proposal seeks to update the Class II differential to \$1.56. Specifically, the proposal seeks to calculate the Class II differential using the current nonfat dry milk make allowance multiplied by the current nonfat solids yield factor and updated butterfat and nonfat solids tests for milk in the FMMOs.

6. AMS Proposal

Proposal 22: Submitted by *Dairy Program, Agricultural Marketing Service*: Make such changes as may be necessary to make the respective marketing orders conform with any amendments thereto that may result from this hearing. From the time that a hearing notice is issued and until the issuance of a final decision in a proceeding, USDA employees involved in the decision-making process are prohibited from discussing the merits of the hearing issues on an ex parte basis with any person having an interest in the proceeding. For this proceeding, the prohibition applies to employees in the following organizational units: Office of the Secretary of Agriculture; Office of the Administrator, Agricultural Marketing Service; Office of the General Counsel; Dairy Program, Agricultural Marketing Service (Washington, DC Office, and the Offices of all Market Administrators). Procedural matters are not subject to the above prohibition and may be discussed at any time.

Source: <https://www.govinfo.gov/content/pkg/FR-2023-07-24/pdf/2023-15496.pdf>. ❖

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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	634,686,925	\$10.47	\$66,451,721.05	
Butterfat	16,279,029	2.7891	45,403,839.78	
Less: Location Adjustment to Handlers			(2,867,876.14)	\$108,987,684.69
Class II— Butterfat	36,471,914	3.0288	110,466,133.10	
Nonfat Solids	56,330,289	1.0722	60,397,335.87	170,863,468.97
Class III— Butterfat	29,020,239	3.0218	87,693,358.22	
Protein	21,400,056	2.0851	44,621,256.76	
Other Solids	39,602,633	0.0648	2,566,250.63	134,880,865.61
Class IV— Butterfat	10,277,036	3.0218	31,055,147.40	
Nonfat Solids	29,282,632	0.9599	28,108,398.48	59,163,545.88
Total Classified Value				\$473,895,565.15
Add: Overage—All Classes				89,830.17
Inventory Reclassification—All Classes				163,600.56
Other Source Receipts	615,705			20,068.63
Total Pool Value				\$474,169,064.51
Less: Value of Producer Butterfat	92,048,218	3.0218	(278,151,305.12)	
Value of Producer Protein	71,842,257	2.0851	(149,798,290.11)	
Value of Producer Other Solids	133,349,448	0.0648	(8,641,044.28)	(436,590,639.51)
Total PPD Value Before Adjustments				\$37,578,425.00
Add: Location Adjustment to Producers				14,070,932.06
One-half Unobligated Balance—Producer Settlement Fund				1,100,371.22
Less: Producer Settlement Fund—Reserve				(981,767.36)
Total Pool Milk & PPD Value	2,311,069,683			\$51,767,960.92
Producer Price Differential		\$2.24		
Statistical Uniform Price		\$19.43		

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