

The Market Administrator's

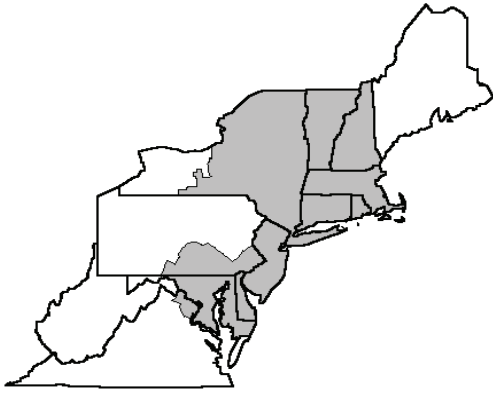
BULLETIN

NORTHEAST MARKETING AREA

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October 2023

Federal Order No. 1



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October Pool Price Calculation

The October 2023 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$21.20 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 \$23.88 per hundredweight. The October statistical uniform price was 78 cents per hundredweight above the September price. The October producer price differential (PPD) at Suffolk County was \$4.36 per hundredweight, an increase of \$2.33 from the previous month.

Product Prices Effect

Commodity price changes reported on the National Dairy Product Sales Report were mixed in October. Butter jumped almost 49 cents, nonfat dry milk rose 4 cents, and dry whey increased 2 cents. The cheese price dropped nearly 20 cents with blocks decreasing 18.5 cents and barrels dropping 21. cents, all on a per pound basis. The commodity price changes translated to a 59-cent increase in the butterfat price, a 4-cent increase in the nonfat solids price, and a 2.5-cent increase in the other solids price, all on a per pound basis. The protein price plummeted \$1.26 per pound due to the drop in the cheese price combined with the significant increase in the butterfat price, which is a component of the protein price formula.

Class price changes from the previous month also were mixed: Class I increased 57 cents; Class II rose \$1.97; Class III fell \$1.55; and Class IV was up \$2.40, all on a per hundredweight basis. Class III remained the lowest class price. With higher prices in the classes most of the pool was utilized, the SUP increased. In contrast to the past two months, even though the total pool value increased, the value paid to producers for components decreased mainly due to the much lower protein price. This resulted in a larger pay out in the PPD, the highest ever for the month of October since the Order's inception.

Selected Statistics

Average daily deliveries per producer (DDP) in October set a record high for the month. The total volume of producer receipts was the second highest ever for the month. Class II and III volumes set record-highs for October. The average producer butterfat test set new record high for the month; the protein and other solids test tied as record-highs for the month with prior years. ❖

Pool Summary

- A total of 7,669 producers were pooled under the Order with an average daily delivery per producer of 9,485 pounds.
- Pooled milk receipts totaled 2.255 billion pounds, an increase of 0.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 30.1 percent of total milk receipts, up 0.1 percentage points from September.
- The average butterfat test of producer receipts was 4.16 percent.
- The average true protein test of producer receipts was 3.21 percent.
- The average other solids test of producer receipts was 5.77 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	30.1	678,366,068
Class II	26.6	599,150,965
Class III	30.5	688,391,694
Class IV	12.8	289,153,248
Total Pooled Milk		2,255,061,975

Producer Component Prices

	2023	2022
	\$/lb	
Protein Price	1.0468	2.4512
Butterfat Price	3.7144	3.6567
Other Solids Price	0.1243	0.2952

Class Prices

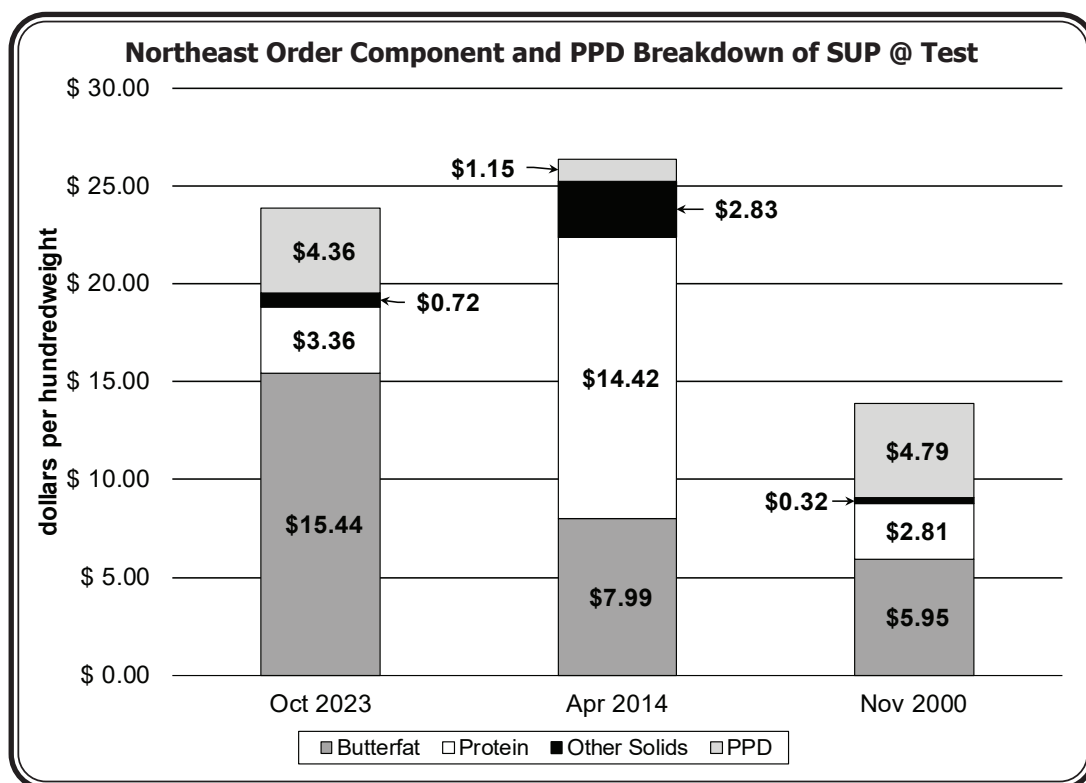
	2023	2022
	\$/cwt	
Class I	22.72	25.96
Class II	21.95	25.73
Class III	16.84	21.81
Class IV	21.49	24.96

PPD Comparison

For the month of October 2023, the Producer Price Differential (PPD) was \$4.36 per hundredweight (cwt). This is, so far, the second highest PPD for 2023, a new record high for the month of October, and the fifth largest PPD in the Northeast since the formation of the Order. The PPD is the leftover value in the pool after components are paid at the Class III level. PPDs can go negative when the value of the total components exceeds the total value of the pool; this can be caused by several reasons such as a result of utilization relationships or timing of price changes. The value of the PPD is constantly fluctuating, with the lowest PPD in the Northeast Order at -\$5.46 per cwt (July 2020) and the highest at \$5.32 per cwt (August 2022) occurring only 26 months apart.

The butterfat, protein, and other solids prices at the Class III level and the PPD are all reflected in the value of the Statistical Uniform Price (SUP). This price is an estimate of what producers are expected to receive for their milk. Despite the PPD used in calculating the SUP, a low or high PPD value does not necessarily correlate to a low or high SUP. For example, the previously mentioned record low PPD value for Order 1 in July 2020 had the highest SUP for 2020 at \$19.08 per cwt. In contrast, January 2011 had a relatively high PPD at \$3.53 per cwt but has a SUP of \$17.01 per cwt, which is \$3.63 per cwt under the 2011 SUP average. The value of the components typically has a larger impact on the price producers receive for their milk.

The accompanying chart displays the SUP at test for October 2023 (\$23.88 per cwt), April 2014 (\$26.39 per cwt), and November 2000 (\$13.87 per cwt) in Order 1. The SUP at test was used in the chart because it is believed to better represent the prices producers receive for their milk over the standard SUP. Each entry displays how much each component and PPD value contribute to the SUP at test for that month and how that distribution can differ. For October 2023, butterfat accounted for \$15.44 per cwt (64.7 percent), protein \$3.36 per cwt (14.1 percent), other solids \$0.72 per cwt (3.0 percent), and the PPD \$4.36 per cwt (18.3 percent). For



April 2014, butterfat accounted for \$7.99 per cwt (30.3 percent), protein \$14.42 per cwt (54.6 percent), other solids \$2.83 per cwt (10.7 percent), and the PPD \$1.15 per cwt (4.4 percent). Lastly, November 2000, butterfat accounted for \$5.95 per cwt (42.9 percent), protein \$2.81 per cwt (20.3 percent), other solids \$0.32 per cwt (2.3 percent), and the PPD \$4.79 per cwt (34.5 percent). April 2014 demonstrates how little value the PPD can contribute to a relatively high SUP, while November 2000 demonstrates how a high PPD can accompany a low SUP. The PPD is one of four components that make up the price paid to producers, all four of these components can vary in significance to that price. ❖

Changes in Utilization

For the January through September 2023 period, the total volume of producer milk pooled on the Northeast Order was 1.5 percent higher than during the same period in 2022. Producer milk is combined with plant inventories and bulk and packaged transfers from other plants to arrive at the volume available for use, or utilization, at a plant. Under the Order, milk is classified into four classes. The accompanying table shows changes in utilization by class and highlights selected product changes for the January-September period for 2023 compared to 2022, 2021, and 2018.

Class I

Class I utilization was down 1.2 percent for the *(continued on page 3)*

Changes (continued from page 2)

first 3 quarters of 2023 compared to 2022; the declines compared to the other years selected was even greater. Whole milk in 2023 is up from both 2022 and 2021, but below 2018. Flavored milk and drinks (lower fat flavored milk products) were down significantly from 2022 and 2018, but up from 2021. Organic whole milk increased significantly from 2022 and 2018, but was down somewhat from 2021. All other categories reported decline in 2023 from the selected prior years.

Class II

Milk used for Class II purposes reported increases in 2023 compared to the selected prior years. Both yogurt and cottage cheese showed significant growth compared to the previous years; milk used in yogurt reported double-digit increases for the years selected. Sour cream reported a nearly 15 percent jump from 2022, but only about 1 percent from 2021 and 2018. Milk used in frozen desserts (mainly ice cream) rose from 2022, but declined from 2021 and 2018.

Class III

Class III utilization increased in 2023 over all the selected years. Within the class, the category that includes Swiss and Other Cheeses jumped from 2022 and 2021, and was up slightly from 2018. Italian cheese increased from all the other years, but not as significantly 2022. American cheese use was down in 2023 from all the other times periods. Milk used in cream cheese decreased from 2022, but increased from the other years.

Class IV

Overall, Class IV usage was down from all time periods. Milk used in dried milk products (primarily nonfat dry milk) decreased from all years. Butter

Utilization Comparison of Selected Products, Northeast Order, January–September

	Percent change in 2023 from :		
	2018	2021	2022
Class I Milk			
Whole Milk	(3.8)	1.9	1.6
Reduced Fat Milk	(13.8)	(10.7)	(3.2)
Lowfat Milk	(25.7)	(14.7)	(7.5)
FatFree	(45.8)	(19.7)	(9.6)
Flavored Milk and Drinks	(9.8)	14.5	(7.0)
Organic Milk	14.1	(3.2)	10.2
Organic Reduced Fat Milk	(18.3)	(13.3)	(1.4)
Total Class I Utilization*	(8.1)	(3.9)	(1.2)
Class II Milk			
Cottage Cheese	22.1	8.3	16.5
Sour Cream and Aerated Cream	0.8	0.8	14.7
Yogurt	23.1	10.8	15.8
Ice Cream, Desserts, Condensed, and Mixes	(8.2)	(6.2)	5.1
Total Class II Utilization*	5.8	3.4	9.1
Class III Milk			
American-Type Cheeses	(4.9)	(0.2)	(3.1)
Cream Cheese	4.1	5.5	(1.9)
Italian-Type Cheeses	7.4	7.8	1.8
Swiss and Other-Type Cheeses	1.3	12.2	11.0
Total Class III Utilization*	9.2	11.6	1.4
Class IV Milk			
Butter	2.1	8.1	(4.6)
Dried Milk Products	(4.8)	(7.7)	(2.5)
Total Class IV Utilization*	(4.8)	(10.6)	(3.1)
Total Minimum Price Class Utilization#	(7.2)	(6.7)	9.4
Total Utilization~	(0.0)	0.0	1.5

* Includes products not shown.

As defined in section 1000.40 of the Order.

~ Includes sales to nonpool manufacturing plants.

declined from 2022, but increased from 2021 and 2018.

Minimum Price Class

Milk assigned to the minimum price class rose 9.4 percent from 2022, but was down considerably from the other years. This category includes milk used for animal feed, dumped or lost due to various reasons, and other uses as defined in section 1000.40 of the Order.❖

National Federal Milk Marketing Order Hearing Update

The hearing that recessed on October 11, will reconvene on November 27, 2023, at 1:00 p.m. at the 502 Event Center, 502 E Carmel Drive, Carmel, Indiana. If the hearing is not completed by December 1, the hearing will reconvene at the Palomino Ballroom, 481 South County Road 1200 East, Zionsville, Indiana.

With the exception of Monday, November 27, the hearing will be held from 8:00 a.m. until 5:00 p.m. each weekday. A notice reiterating this information and outlining hearing procedures for the reconvened weeks was published in the Federal Register on November 6, 2023; go to link: <https://www.federalregister.gov/documents/2023/11/06/2023-24389/milk-in-the-northeast-and-other-marketing-areas-notice-of-hearing-on-proposed-amendments-to>.

Dairy farmer virtual testimony will no longer be available. Dairy farmers may continue to testify in person at any time during the reconvened hearing. Dairy farmers testifying in person are not required to pre-submit testimony or exhibits.❖

RETURN SERVICE REQUESTED

FIRST CLASS MAIL

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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	661,461,936	\$12.37	\$81,822,841.48	
Butterfat	16,904,132	3.0802	52,068,107.39	
Less: Location Adjustment to Handlers			(2,998,365.94)	\$130,892,582.93
Class II— Butterfat	35,685,854	3.7214	132,801,337.04	
Nonfat Solids	52,795,745	1.0278	54,263,466.72	187,064,803.76
Class III— Butterfat	29,137,231	3.7144	108,227,330.83	
Protein	22,159,476	1.0468	23,196,539.49	
Other Solids	39,756,398	0.1243	4,941,720.27	136,365,590.59
Class IV— Butterfat	12,010,342	3.7144	44,611,214.34	
Nonfat Solids	25,985,437	0.9781	25,416,355.94	70,027,570.28
Total Classified Value				\$524,350,547.56
Add: Overage—All Classes				130,432.46
Inventory Reclassification—All Classes				704,086.33
Other Source Receipts	420,275			34,096.96
Total Pool Value				\$525,219,163.31
Less: Value of Producer Butterfat	93,737,559	3.7144	(348,178,789.15)	
Value of Producer Protein	72,488,915	1.0468	(75,881,396.21)	
Value of Producer Other Solids	130,227,665	0.1243	(16,187,298.79)	(440,247,484.15)
Total PPD Value Before Adjustments				\$84,971,679.16
Add: Location Adjustment to Producers				13,693,428.33
One-half Unobligated Balance—Producer Settlement Fund				605,560.92
Less: Producer Settlement Fund—Reserve				(931,642.28)
Total Pool Milk & PPD Value	2,255,482,250			\$98,339,026.13
Producer Price Differential		\$4.36		
Statistical Uniform Price		\$21.20		

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