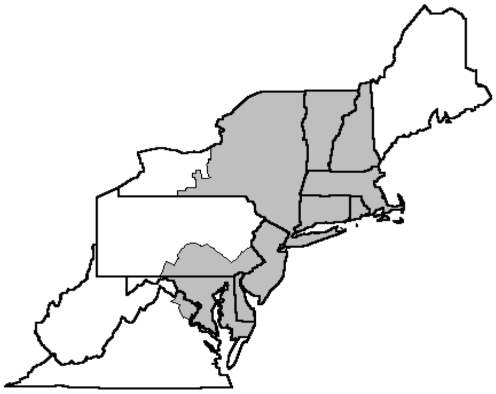


The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Shawn M. Boockoff, Market Administrator

June 2022 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

June Pool Price Calculation

The June 2022 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $26.98 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 $28.69 per hundredweight. The June statistical uniform price was 40 cents per hundredweight above the May price. The June producer price differential (PPD) at Suffolk County was $2.65 per hundredweight, an increase of $1.28 from the previous month.

Product Prices Effect

Commodity price changes reported on the National Dairy Product Sales Report for June were mixed. On a per pound basis, butter jumped almost 19 cents while nonfat dry milk rose less than one cent. Dry whey declined 5 cents, and the combined cheese price fell almost 7 cents with both blocks and barrels dropping the same. The commodity price changes translated to a nearly 23-cent jump in the per-pound butterfat price, a less than 1-cent increase in the nonfat solids price, a decrease of almost 6 cents in the other solids price, and a 45-cent drop in the protein price. In contrast to May, the protein price decline was exacerbated by the decrease in the cheese price and the increase in the butterfat price, which is a factor in the protein price formula.

All class prices rose from the previous month except Class III, which decreased 88 cents per hundredweight due to the declines in the cheese and dry whey prices. Class I increased 42 cents; Class II rose 78 cents; and Class IV was up 84 cents, all on a per hundredweight basis. The Class I, II, and IV prices were all record highs for the Order. The SUP again set a record high 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.

Selected Statistics

Average daily deliveries per producer (DDP) in June set a record high for the Order. The Class III volume for June was the third highest ever for the month, surpassed only by 2001 and 2002. The average producer tests for all components (butterfat, protein, and other solids) set record highs for the month.❖

Pool Summary

- A total of 8,207 producers were pooled under the Order with an average daily delivery per producer of 9,116 pounds.
- Pooled milk receipts totaled 2.244 billion pounds, a decrease of 1.8 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 27.5 percent of total milk receipts, down 1.2 percentage points from May.
- The average butterfat test of producer receipts was 3.91 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.79 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	27.5	617,990,639
Class II	23.4	525,842,238
Class III	30.5	684,118,501
Class IV	18.6	416,468,168
Total Pooled Milk		2,244,419,546

Producer Component Prices

	2022	2021
	$/lb	
Protein Price	3.4173	2.5834
Butterfat Price	3.3323	1.9641
Other Solids Price	0.4295	0.4579

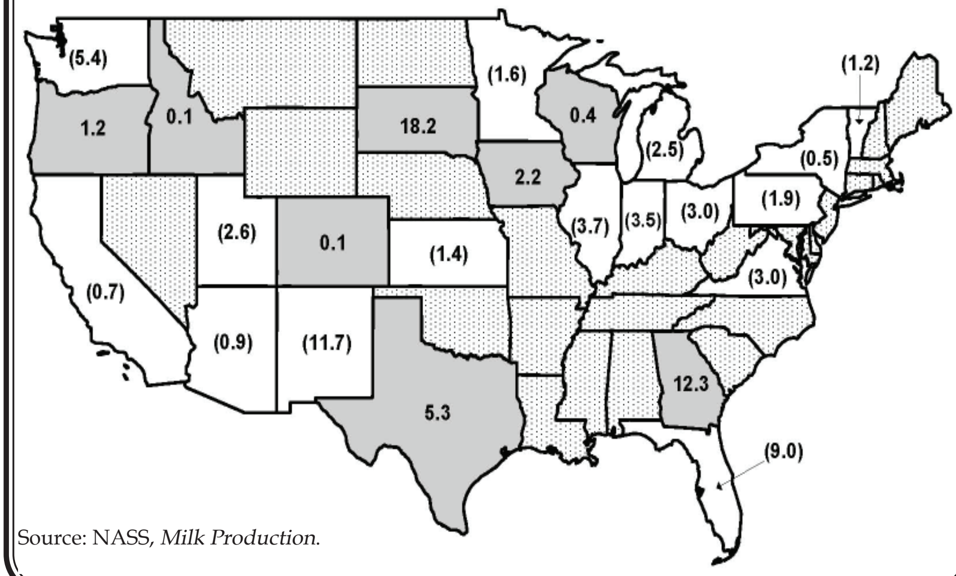
Class Prices

	2022	2021
	$/cwt	
Class I	29.12	21.54
Class II	26.65	16.66
Class III	24.33	17.21
Class IV	25.83	16.36

U.S. Milk Production and Northeast Pool Volume Decrease

Estimated U.S. milk production for the first 6 months of 2022 was down 0.7 percent from 2021, for a difference of 806 million pounds. The majority of U.S. states reported a decline in milk production during the first half of 2022 when compared to 2021, according to the most recent *Milk Production* report from NASS (National Agricultural Statistics Service). Northeast Order milkshed states reported a combined loss of 1.4 percent for the 6-month period while total pooled milk volume for the Northeast Order decreased 1.0 percent during the same period.

January–June 2022 Milk Production in the NASS 24 Selected States (Year-to-Year Percent Change)



Source: NASS, *Milk Production*.

Milk Production

The top ten states, ranked by total production during the first 6 months, decreased 0.8 percent from 2021. The accompanying table shows the changes along with a comparison for some selected areas. Of the top ten states listed, only Wisconsin, Texas, and Idaho reported increases over the previous year; Texas reported the largest increase at 5.3 percent. Once again, California placed in first, producing 5.4 billion pounds more than second place Wisconsin. New Mexico experienced the largest decrease of the top ten states at 11.7 percent.

Total production for the 24 selected states as reported by NASS fell 0.6 percent for the January-June period compared to the previous year. Of this group, South Dakota reported the largest increase (18.2 percent), followed by Georgia (12.3 percent). Sixteen of the 24 states reported declines; New Mexico, Florida, and Washington reported the largest drops, all in excess of 5.0 percent (see accompanying map.)

Milk Production in the Top Ten States and Selected Areas, January–June, 2021 vs. 2022

Rank	State	2021	2022	Percent Change
		(million pounds)		
1	California	21,476	21,319	(0.7)
2	Wisconsin	15,836	15,898	0.4
3	Texas	7,854	8,269	5.3
4	Idaho	8,205	8,214	0.1
5	New York	7,833	7,793	(0.5)
6	Michigan	6,039	5,887	(2.5)
7	Minnesota	5,280	5,194	(1.6)
8	Pennsylvania	5,178	5,081	(1.9)
9	New Mexico	4,193	3,703	(11.7)
10	Washington	3,340	3,160	(5.4)
	Top Ten Total	85,234	84,518	(0.8)
NASS 24 Selected		109,730	109,090	(0.6)
Northeast Milkshed		16,387	16,152	(1.4)
Top 3 Northeast		14,308	14,156	(1.1)
U.S. Total		114,994	114,188	(0.7)

Source: NASS, Milk Production

The states contributing to the Northeast Order milkshed had a combined decrease of 1.4 percent. West Virginia had the only increase at 2.6 percent and Delaware had the largest decline at 9.1 percent. New York state experienced the smallest loss of production on a percentage basis in the northeast at 0.5 percent; all other Northeast milkshed states experienced decreases greater than 1.2 percent. The top three contributing states (New York, Pennsylvania, and Vermont) had a combined decrease of 1.1 percent.

Pool Volume

The total producer volume at time of pool for the first 6 months of 2021 for the Northeast Order decreased by 1.0 percent from the same period in 2021, due to milk depooled in January, February, and March. If the depooled milk was included, Northeast total pooled volume for the first half of 2022 would be slightly above last year.❖

Shipping Percentage Adjusted for Fall 2022–23

The Market Administrator received a request from a plant operator to lower the percentage of milk that pool supply plants and cooperative Section 1000.9(c) handlers must deliver to Class I pool distributing plants during the months of September, October, and November. It was requested that the shipping percentages specified in Section 1001.7 (c) (2) be lowered from 20 to 10 percent

(continued on page 3)

Shipping Percentage Adjusted *(continued from page 2)*

for the months listed until further notice. Reductions in the required shipping percentage for the stated period have been approved since 2013. Similar to other recent requests, the requesting handler cited declining Class I sales, a decline in the number of Class I customers seeking to purchase milk for Class I usage, and no instances where Class I needs have not been covered as arguments for their petition. Following receipt of the request, the Market Administrator's office sent a letter to pool handlers inviting them to submit comments, data, or views regarding the request. The office reviewed the comments received and conducted an analysis of milk volumes pooled on the Order, milk utilization, and market conditions.

Section 1001.7 (g) of the Northeast Order states that the shipping percentages under the above provision may be increased or decreased by the Market Administrator if, after conducting an investigation and soliciting comments, the Market Administrator determines that such adjustment is necessary to encourage needed shipments or to prevent uneconomic shipments.

Monthly pool statistics continue to present a picture of declining Class I receipts for the Northeast Order, though there had been some slowing of this trend earlier in 2021. The Class I receipts for the May 2022 pool, at 678 million pounds were the second lowest volume for the month in 20 years, roughly 6 million pounds above the prior May (the record lowest for that month). At 28.7 percent, Class I utilization in May was the lowest ever for the month and sixth lowest Class I utilization by percent for any month since the Order's inception. In 2000, the year in which the 20 percent fall month shipping percentages were adopted as part of Order Reform, the Class I utilization for the months of September, October, and November averaged 49 percent of the volume of milk pooled during those months. In 2021, Class I utilization for these same three months averaged 31.5 percent of the total pool — a drop of roughly 18 percentage points.

In 2021, Class I receipts for the September through November period were 24.3 percent below the same period during the first year of the Northeast Order, in 2000, showing how much less milk has been utilized as Class I in recent years compared to when the Order's shipping provisions were first adopted. Current pool projections indicate a small increase in fall-month Class I utilization compared to spring, not supporting a need to return to a shipping percentage higher than has been approved in recent years, at least for fall 2022.

Decision

After reviewing a variety of Northeast Order statistical data related to total pool volume, class utilization changes over time, fluid sales reports for the Order, and recent industry dynamics, together with comments submitted by parties responding to the call for comments on the request, a reduction in the shipping percentage under Section 1001.7 (c) (2) of the Northeast Order from 20 to 10 percent for the three months of September, October, and November, is approved.

Considering 2022 will be the fifth year in a row that the shipping percentage will have been reduced to 10 percent and given that the market conditions that warranted previous reductions continue to exist, the reduction in the shipping percentage to 10 percent will apply to September-November for years 2022 and 2023. As provided under the terms of the Northeast Order under Section 1001.7 (g), the Market Administrator may review the need for any further adjustment on his own initiative or at the request of interested parties.❖

Pool Summary for All Federal Orders, January–June, 2021–2022

Federal Order Number	Federal Order Name	Total Producer Milk* 2021	Total Producer Milk* 2022	Change	Producer Price Differential# 2021	Producer Price Differential# 2022	Statistical Uniform Price# 2021	Statistical Uniform Price# 2022
		pounds	pounds	percent	dollars per hundredweight			
1	**Northeast**	**13,606,911,335**	**13,466,696,778**	**(1.0)**	**0.11**	**2.18**	**17.07**	**25.13**
5	Appalachian	2,709,099,320	2,752,573,978	1.6	N/A	N/A	18.48	26.32
6	Florida	1,226,787,318	1,249,920,904	1.9	N/A	N/A	20.46	28.24
7	Southeast	2,360,562,752	2,064,690,664	(12.5)	N/A	N/A	18.60	26.70
30	Upper Midwest	6,048,351,411	14,555,701,804	140.7	(0.77)	0.21	16.19	23.16
32	Central	5,758,414,555	7,756,078,428	34.7	(1.29)	0.63	15.68	23.58
33	Mideast	8,473,952,474	8,848,459,197	4.4	(0.78)	0.92	16.19	23.87
51	California	11,760,720,527	10,994,034,611	(6.5)	(1.46)	0.82	15.50	23.77
124	Pacific Northwest	3,651,139,509	3,903,830,267	6.9	(1.11)	0.84	15.85	23.79
126	Southwest	6,000,987,426	6,871,690,939	14.5	(0.79)	1.23	16.18	24.18
131	Arizona	2,126,355,390	2,561,127,194	20.4	N/A	N/A	16.11	24.66
	All Market Total/Average	63,723,282,017	75,024,804,764	17.7	(0.87)	0.97	16.94	24.85

\# Price at designated order location. N/A = Not applicable.

* Data may not be comparable to previous years due to significant volumes of milk not pooled on federal orders.

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Computation of Producer Price Differential and Statistical Uniform Price*

		Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I—	Skim	603,382,105	$18.91	$114,099,556.06	
	Butterfat	14,608,534	3.1053	45,363,880.63	
Less:	Location Adjustment to Handlers			(2,688,885.59)	$156,774,551.10
Class II—	Butterfat	32,477,865	3.3393	108,453,334.60	
	Nonfat Solids	45,553,734	1.7222	78,452,640.66	186,905,975.26
Class III—	Butterfat	28,387,713	3.3323	94,596,376.07	
	Protein	21,062,439	3.4173	71,976,672.78	
	Other Solids	39,596,317	0.4295	17,006,618.17	183,579,667.02
Class IV–	Butterfat	12,304,425	3.3323	41,002,035.44	
	Nonfat Solids	37,326,760	1.6313	60,891,143.60	101,893,179.04
Total Classified Value					**$629,153,372.42**
Add:	Overage—All Classes				341,123.07
	Inventory Reclassification—All Classes				659,028.94
	Other Source Receipts	121,484			6,675.77
Total Pool Value					**$630,160,200.20**
Less:	Value of Producer Butterfat	87,778,537	3.3323	(292,504,418.88)	
	Value of Producer Protein	69,062,335	3.4173	(236,006,717.40)	
	Value of Producer Other Solids	130,060,380	0.4295	(55,860,933.20)	(584,372,069.48)
Total PPD Value Before Adjustments					**$45,788,130.72**
Add:	Location Adjustment to Producers				13,403,413.62
	One-half Unobligated Balance—Producer Settlement Fund				1,370,352.02
Less:	Producer Settlement Fund—Reserve				(1,081,559.03)
Total Pool Milk & PPD Value		**2,244,541,030**			**$59,480,337.33**
	Producer Price Differential		**$2.65**		
	Statistical Uniform Price		**$26.98**		

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