

# The Market Administrator's

# BULLETIN

## NORTHEAST MARKETING AREA

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July 2024

Federal Order No. 1

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### July Pool Price Calculation

The July 2024 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$22.26 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 \$24.31 per hundredweight. The July statistical uniform price was 43 cents per hundredweight above the June price. The July producer price differential (PPD) at Suffolk County was \$2.47 per hundredweight, an increase of 51 cents from the previous month.

### Product Prices Effect

Commodity price changes, as reported on the National Dairy Product Sales Report, were mixed in July. The butter price rose 2 cents, nonfat dry milk increased nearly 2 cents, dry whey was up 2 cents, and the cheese price dropped 2 cents with the block price rising 3 cents and the barrel price decreasing 7 cents, all on a per pound basis. The commodity price changes translated to an almost 3-cent increase in the butterfat price, a nearly 2-cent increase in the nonfat solids price, a 2-cent increase in the other solids price, and an almost 11-cent drop in the protein price, all on a per pound basis. The butterfat price was the highest ever for the month of July and third highest ever for the Order.

All class prices, except Class III increased from the previous month: Class I, based on prices in June jumped \$1.03; Class II increased 22 cents; Class III fell 8 cents; and Class IV was up 23 cents, all on a per hundredweight basis. Class III remained the lowest class price. With most class prices increasing, the statistical uniform price rose. The spread between the higher class prices and the Class III price loosened, resulting in a higher PPD.

### Selected Statistics

The Class II volume in July was the highest ever for the month and second highest in the history of the Order, Class III had the third highest volume for July. Both the average producer butterfat and protein set a record high for July. ❖

### Pool Summary

- A total of 7,505 producers were pooled under the Order with an average daily delivery per producer of 9,834 pounds.
- Pooled milk receipts totaled 2.288 billion pounds, a decrease of 1.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 27.2 percent of total milk receipts, up 0.8 percentage points from June.
- The average butterfat test of producer receipts was 4.02 percent.
- The average true protein test of producer receipts was 3.08 percent.
- The average other solids test of producer receipts was 5.76 percent. ❖

#### Class Utilization

Pooled Milk	Percent	Pounds
Class I	27.2	622,189,902
Class II	27.8	635,649,029
Class III	30.8	705,134,868
Class IV	14.2	324,810,559
Total Pooled Milk		2,287,784,358

#### Producer Component Prices

	2024	2023
	\$/lb	
Protein Price	1.9466	1.1991
Butterfat Price	3.5720	2.7986
Other Solids Price	0.2571	0.0689

#### Class Prices

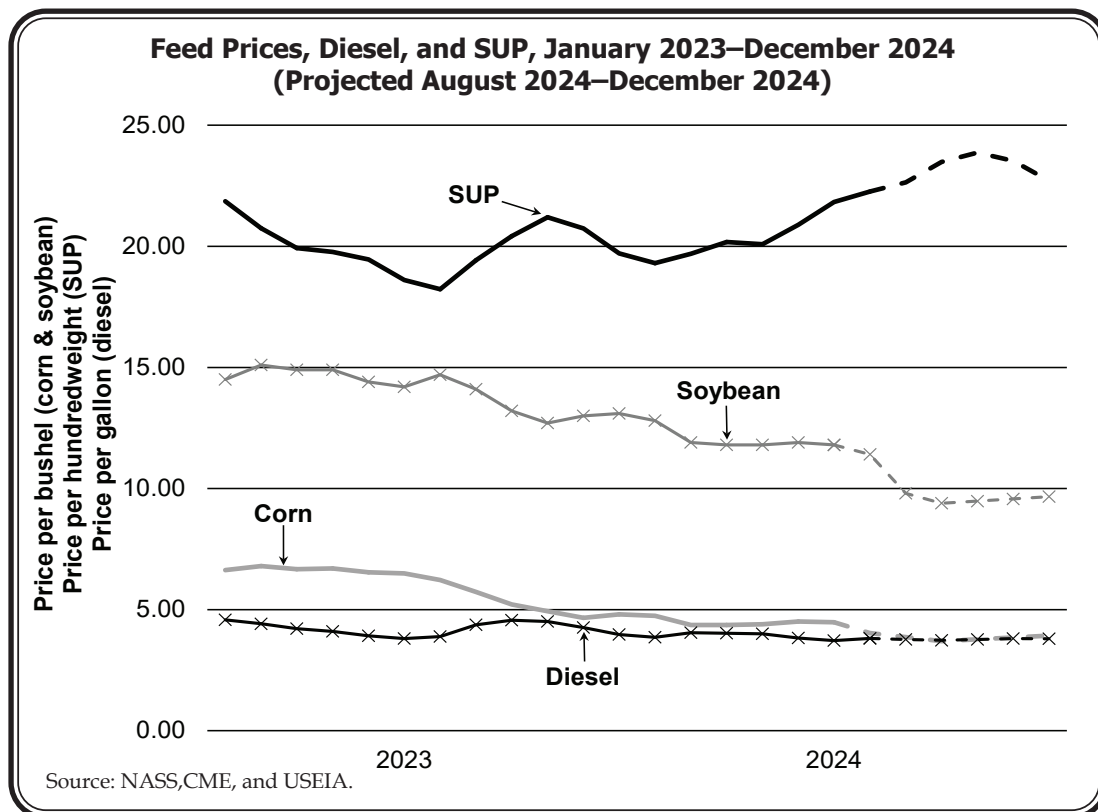
	2024	2023
	\$/cwt	
Class I	24.36	20.57
Class II	21.82	19.12
Class III	19.79	13.77
Class IV	21.31	18.26

## Market Update

From January to July 2024, the monthly statistical uniform price (SUP) averaged \$20.61 per hundredweight (cwt) with an average producer price differential (PPD) of \$3.28 per cwt. This is a 60-cent increase in the SUP from the 2023 monthly average (\$20.01 per cwt); the monthly average PPD increased 29 cents per cwt from the 2023 monthly average (\$2.99 per cwt). Using August 16, 2024, Chicago Mercantile Exchange (CME) futures prices of Class III and IV milk and estimates of Northeast Order class utilizations, the SUP at the Boston, MA, location projects 2024 to average \$21.71 per cwt with an average producer price differential (PPD) of \$2.77 per cwt. Compared to the 2023 averages, this is an increase of \$1.70 per cwt in the SUP and a 22-cent per cwt decrease in the PPD. CME futures prices of Class III and IV milk for the remainder of 2024 average \$21.19 per cwt and \$21.91 per cwt, respectively; the CME futures project an upward trend in SUP and all class prices for 2024 compared to 2023.

### Component Prices

For the first seven months of 2024 the monthly average per pound prices for butterfat (\$3.3184) and other solids (\$0.2497) increased compared to their 2023 monthly averages, while protein (\$1.4356) and nonfat solids (\$1.0039) decreased; butterfat and other solids prices grew at 12.1 percent (36 cents per pound) and 49.0 percent (8 cents per pound), respectively. Using the August 16, 2024, CME futures of cash-settled butter for butterfat, cash-settled cheese for protein, dry whey for other solids, and nonfat dry milk for nonfat solids to estimate the monthly average per pound component prices for 2024, butterfat averaged \$3.4379, protein \$1.7635, other solids \$0.2905, and nonfat solids \$1.0343. This represents an increase in all component prices, except protein, when compared to 2023 monthly averaged prices, the other solids price was the largest increase at 73.3 percent brought on by recent and projected increases in the dry whey commodity price.



### Feed Prices

The monthly average prices of corn, soybean, and alfalfa hay as published by the USDA National Agricultural Statistics Service (NASS) for January to June 2024 all decreased from their 2023 monthly average prices. Corn prices dropped 24.8 percent (\$1.48 per bushel) to \$4.47 per bushel, soybean prices decreased 14.7 percent (\$2.07 per bushel) to \$12.00 per bushel, and alfalfa hay prices fell 19.4 percent (\$47.83 per ton) to \$198.17 per ton. June 2024 NASS prices for corn (\$4.48 per bushel), soybean (\$11.80 per bushel), and alfalfa hay (\$195 per ton) are some of the lowest prices since 2021. Estimates using August 16, 2024, CME futures for corn and soybeans (the CME does not offer futures for alfalfa hay) suggest a 2024 yearly average of \$4.16 per bushel price for corn and \$10.94 per bushel price for soybeans. These estimated yearly averages for 2024 are below the averages for 2023, with soybeans down \$3.12 per bushel and corn down \$1.78 per bushel.

### Diesel Price

The U.S. Energy Information Administration (USEIA) estimates the price for diesel in 2024 will average \$3.8453 per gallon, a decrease of \$0.3683 per gallon from 2023. The cost of diesel, so far, in 2024 peaked in February at \$4.0438 per gallon and bottomed in June at \$3.7220 per gallon. The USEIA estimate the price of diesel to remain relatively flat for the rest of the year with prices between August and December to range from \$3.7308 to \$3.8054 per gallon.

(continued on page 3)

## Market Update *(continued from page 2)*

### **Consumer Price Index**

The Consumer Price Index (CPI), published by the U.S. Bureau of Labor Statistics, reported an average consumer price increase of 2.9 percent across all items in July 2024 from July 2023; food prices on average rose 2.2 percent across the one-year period. The dairy & related products category on average experienced deflation of 0.2 percent, largely due to a 2.3 percent drop in the cheese & other product prices and a 0.9 percent fall in ice cream & related product prices. Fluid milk product prices increased 1.2 percent on average, 1.3 percent in fresh whole milk and 1.1 percent in fresh milk other than whole. All other dairy & related products increased 1.1 percent on average.

### **Exports**

As of May 2024, U.S. dairy exports in 2024 have increased by 0.2 percent for the same period in 2023, as reported by the U.S. Dairy Export Council. Nonfat dry milk (NFDN), cheese, and whey remain the three largest export groups by volume, in that order. Of the three largest export groups total NFDN exports decreased 11.4 percent year-to-date, while cheese and whey exports increased 28 percent and 3.9 percent year-to-date, respectively. Year-to-date total dairy exports to China have decreased by 16.8 percent, largely brought on by decreased exports of NFDN and whey to the country. ❖

## **Northeast Order Shipping Percentage Adjusted for Fall 2024**

The Market Administrator received a request from two cooperatives (one of which operates an unregulated supply plant) pooling milk on the Northeast Order 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 for the months listed until further notice. The shipping percentage during September, October, and November from 2018 through 2023 was adjusted to 10 percent in response to similar requests. 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. 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.

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 June 2024, at 578 million pounds, was the lowest volume for the month in 24 years, roughly 41 million pounds below the prior June. At 26.4 percent, Class I utilization in June was the lowest ever 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 49.0 percent of the volume of milk pooled during those months. In 2023, Class I utilization for these same three months averaged 30.3 percent of the total pool—a drop of roughly 18.7 percentage points. In 2023, Class I receipts for the September through November period was 27.0 percent below the same period during the first year of the Northeast Order, in 2000. Current pool projections indicate a small increase in fall-month Class I utilization compared to spring, though not supporting a need to return to a shipping percentage higher than has been approved in recent years, at least for fall 2024.

### **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 requests, 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 was approved.

Though 2024 will be the seventh 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, potential for change to the current marketplace warrant limiting the change to the shipping percentage to 10 percent for September-November, 2024 only. 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. For additional information, copies of the requests, comments, and the decision, see the links on our webpage at [www.fmmone.com](http://www.fmmone.com). ❖

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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	606,767,960	\$12.32	\$74,753,812.67	
Butterfat	15,421,942	3.5622	54,936,041.79	
Less: Location Adjustment to Handlers			(2,735,063.90)	\$126,954,790.56
Class II— Butterfat	33,800,373	3.5790	120,971,535.00	
Nonfat Solids	55,470,133	1.0700	59,353,042.31	180,324,577.31
Class III— Butterfat	31,052,968	3.5720	110,921,201.67	
Protein	21,701,043	1.9466	42,243,250.33	
Other Solids	40,489,103	0.2571	10,409,748.38	163,574,200.38
Class IV— Butterfat	11,717,649	3.5720	41,855,442.20	
Nonfat Solids	28,864,961	1.0149	29,295,048.90	71,150,491.10
<b>Total Classified Value</b>				<b>\$542,004,059.35</b>
Add: Overage—All Classes				63,577.49
Inventory Reclassification—All Classes				(44,226.74)
Other Source Receipts	263,149			11,915.74
<b>Total Pool Value</b>				<b>\$542,035,325.84</b>
Less: Value of Producer Butterfat	91,992,932	3.5720	(328,598,753.14)	
Value of Producer Protein	70,495,093	1.9466	(137,225,748.05)	
Value of Producer Other Solids	131,752,279	0.2571	(33,873,510.94)	(499,698,012.13)
<b>Total PPD Value Before Adjustments</b>				<b>\$42,337,313.71</b>
Add: Location Adjustment to Producers				14,105,149.82
One-half Unobligated Balance—Producer Settlement Fund				1,047,656.54
Less: Producer Settlement Fund—Reserve				(975,346.60)
<b>Total Pool Milk &amp; PPD Value</b>	<b>2,288,047,507</b>			<b>\$56,514,773.47</b>
Producer Price Differential		<b>\$2.47</b>		
Statistical Uniform Price		<b>\$22.26</b>		

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