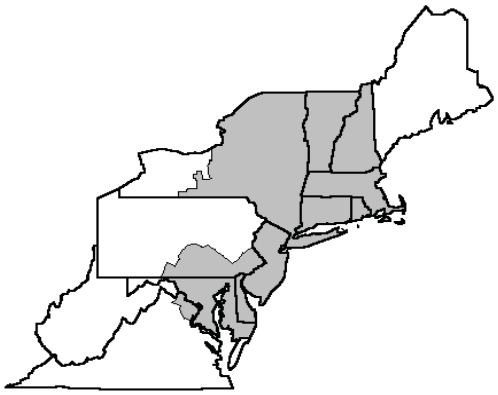

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

January 2014 Federal Order No. 1

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January Pool Price Calculation

The January 2014 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $22.93 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 $24.27 per hundredweight. The January statistical uniform price was $1.14 per hundredweight above the December price. The January producer price differential (PPD) at Suffolk County was $1.78 per hundredweight, a decrease of $1.06 per hundredweight from last month.

Product Prices Effect

During January, all product prices rose. Butter and dry whey rose slightly; the nonfat dry milk price increased 8 cents per pound, and the cheese price jumped 21 cents per pound. These increases resulted in higher prices for all components, especially the protein price, which increased nearly 65 cents per pound. For the first time since July 2008, the protein price was over $4.00 per pound and the nonfat solids price was its highest since October 2007.

All class prices increased from the previous month. The Class I price rose $1.11; Class II increased 55 cents; Class III jumped $2.20, and Class IV was up 70 cents. Overall, the SUP increased, but due to the tighter spread between the class prices, the PPD declined.

Records Set

The SUP set a record high for January and was the fourth highest ever for the Order since its inception. Total pooled milk receipts were the second highest ever for the month of January, surpassed only by 2002. Daily deliveries per producer set a record as the highest ever for the month. Class I volume was the lowest ever for the month of January. Class II volume was less than the same month of the previous year, but it was the second highest ever for the month of January.

The producer butterfat test was the highest ever for the month of January and second only to the record high set in November and December of 2013. The producer protein test also was the highest ever for the month.❖

Pool Summary

- A total of 12,219 producers were pooled under the Order with an average daily delivery per producer of 5,755 pounds.
- Pooled milk receipts totaled 2.18 billion pounds, an increase of 2.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 37.3 percent of total milk receipts, a decrease of 0.9 percentage points from December.
- The average butterfat test of producer receipts was 3.88 percent.
- The average true protein test of producer receipts was 3.15 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	37.3	814,052,783
Class II	24.1	524,867,526
Class III	26.8	584,463,488
Class IV	11.8	256,429,500
Total Pooled Milk		2,179,813,297

Producer Component Prices

	2014	2013
	$/lb	
Protein Price	4.1870	3.2862
Butterfat Price	1.7874	1.6168
Other Solids Price	0.4155	0.4647

Class Price Factors

	2014	2013
	$/cwt	
Class I	24.73	22.22
Class II	22.21	18.19
Class III	21.15	18.14
Class IV	22.29	17.63

Federal Orders Compared: Northeast Number 1 in Class — I, II and IV

The table below is a pool summary for all Federal Orders and reports receipts by class and average component tests for 2013. The Northeast Milk Marketing Area (Order 1) is the second largest of the Federal Orders in total volume of milk pooled and accounted for 19 percent of the total in 2013. Order 1 ranked first in total volume of milk used in Classes I, II, and IV.

Class Comparisons

Even though Class I volume (fluid drinking milk) has been declining, the total pooled on Order 1 in 2013 was 3.1 billion pounds higher than the next largest total (Mideast – Order 33). Order 1 accounted for 22 percent of total Federal Order Class I volume; Order 33 had 15 percent.

Order 1 continues to lead in Class II volume (soft products: yogurt, ice cream, cottage cheese, etc.) largely fueled by the increase in Greek-style yogurt manufacturing that occurred in the Northeast in the past few years. The Northeast Order accounted for 43 percent of the total federal order Class II volume in 2013, up from 38 percent in 2012. The 2013 volume was more than two and a half times the amount of the next largest Class II contributor, Order 33, which had 16 percent of the total. Since 2012, Class II volume for Order 1 has been higher than Class III.

For all Federal Orders, Class III volume (hard cheese and cream cheese) has always been dominated by the Upper Midwest Milk Marketing Area (Order 30). It is largely a cheese manufacturing area and accounted for nearly half of all milk used for Federal Order Class III purposes in 2013. Order 1 only accounted for 10 percent of all Class III volume.

Order 1 also ranks first in Class IV usage (butter and dry milk powders), accounting for nearly one quarter of the total 2013 volume. The Class IV volume has varied over the years in the Northeast with higher volumes reported in 2008 and 2009 (2013 was third highest). Order 33 and the Pacific Northwest (Order 124) ranked second and third, respectively, in 2013 for total Class IV.

The largest Federal Order on a volume basis is Order 30, accounting for over one quarter of all milk pooled. Order 1 ranked second with its largest amount ever in 2013, and Order 33 was third in overall volume.

Component Tests

When compared to all Federal Orders, Order 1 has the third highest annual average producer butterfat test (simple average) for 2013. Order 124 reported the highest, followed by Order 30. Of the orders that pay only on butterfat (not protein and other solids), three were in the bottom half of the rankings.

For protein and other solids tests, Order 1 ranked the lowest of the orders that pay producers for these components although average tests have been rising over the past few years. Order 124 had the highest protein average, but the second lowest other solids test. The Southwest (Order 126) ranked second for protein and first for other solids.

Price Comparisons

The table on page 3 is a pool summary for all Federal Orders for the years 2012 and 2013. It reports total producer milk (and change from previous year), producer price differentials, and uniform prices. Total milk pooled by Federal Orders accounted for approximately 66 percent of total milk produced in the United States during 2013, up from 61 percent in 2012. The remaining milk is pooled under state milk marketing orders, such as California, or is in non-regulated areas. ❖

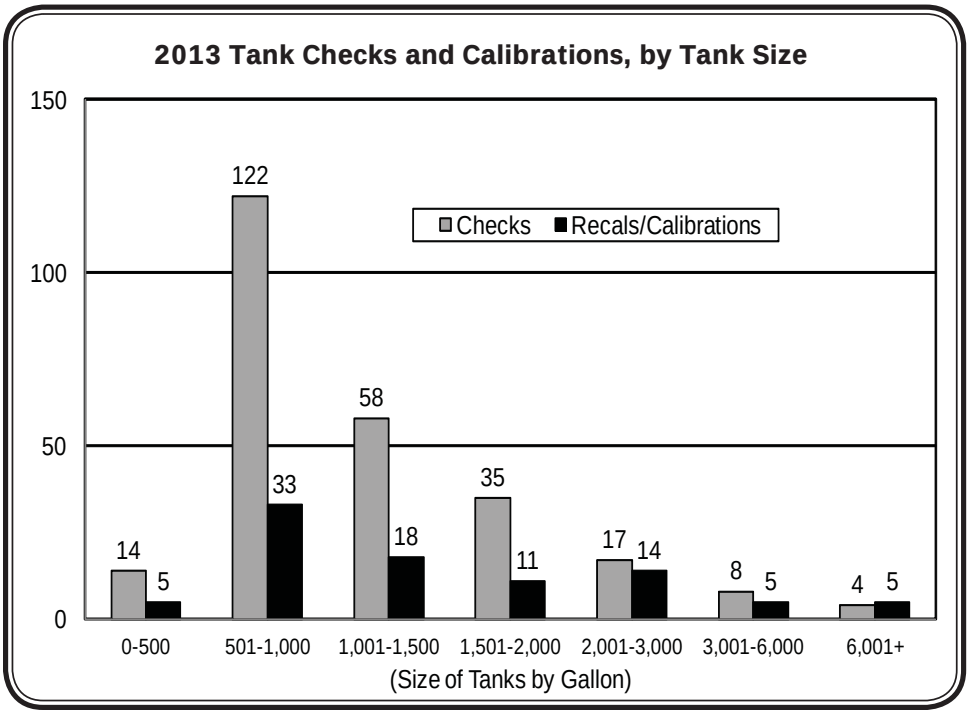
Producer Receipts by Class and Average Component Tests, by Federal Order, 2013

		Pooled Producer Milk by Class					Producer Component Test		
Number	Name	I	II	III	IV	Total	Butterfat	Protein	Other Solids
		(billion pounds)					percent		
1	**Northeast**	**9,508**	**6,579**	**6,450**	**2,884**	**25,420**	**3.77**	**3.08**	**5.73**
5	Appalachian	3,845	861	458	565	5,729	3.71	N/A	N/A
6	Florida	2,424	239	73	98	2,833	3.64	N/A	N/A
7	Southeast	4,163	720	787	459	6,129	3.72	N/A	N/A
30	Upper Midwest	3,686	885	29,387	357	34,315	3.81	3.11	5.74
32	Central	4,867	1,511	7,040	1,781	15,199	3.68	3.14	5.75
33	Mideast	6,448	2,437	5,688	2,146	16,719	3.76	3.11	5.74
124	Pacific Northwest	2,120	530	3,668	1,922	8,239	3.88	3.22	5.73
126	Southwest	4,324	1,030	6,923	625	12,901	3.69	3.16	5.77
131	Arizona	1,357	396	1,232	1,630	4,615	3.52	N/A	N/A
	Total/Avg	42,742	15,187	61,705	12,466	132,100	3.72	3.14	5.74

N/A = Not applicable; only pays on butterfat.

Market Services 2013 Summary

The Market Administrator (MA) verifies or establishes weights, samples and tests producer milk, and provides market information for producers who are not receiving such services from a cooperative association.



Calibration Program

One aspect of the Market Administrator's market service program is the bulk tank calibration program. The Northeast Order operates two calibration trucks. In providing calibration services, the two trucks combined covered 26,800 miles in 2013. The market service department checked 258 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2013 season. Briefly, a tank check involves measuring the tank at four or five different levels as opposed to performing a complete calibration, which involves checking the tank at each increment on the dipstick. The levels that a tank is checked at vary depending on the tank size and a farm's production range. If the tank proves to be out of tolerance when checked, the tank is recalibrated. Depending on scheduling, recalibrations may be performed the same day or rescheduled for another day.

Checks/Calibration Results

Of the 258 tanks checked, 14 (5.4 percent) were out of tolerance and were recalibrated. Of the tanks requiring recalibration, there was an almost even split between tanks that were over measuring and under measuring the amount of milk. An additional 91 calibrations were performed for other reasons that did not involve an initial check, such as a tank being installed, a tank being moved, or a special request. Of the tanks that were recalibrated or calibrated, 62 percent were 1,500 gallon tanks or smaller. The 258 checks and the 91 additional calibrations total 349 farm visits. A breakdown of checks and calibrations/recalibrations by tank size are shown in the chart above. A tentative schedule for the calibration trucks during the upcoming season will be presented in the *Bulletin* as spring approaches.❖

Pool Summary for All Federal Orders, January–December, 2012–2013

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2012	2013	Change^	2012	2013	2012	2013
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**24,695,275,631**	**25,419,908,532**	**3.2**	**1.2**	**2.3**	**18.63**	**20.25**
5	Appalachian	5,862,598,329	5,728,582,760	(2.0)	N/A	N/A	19.70	21.37
6	Florida	2,889,841,736	2,833,279,789	(1.7)	N/A	N/A	21.92	23.53
7	Southeast	6,793,556,547	6,129,314,033	(9.5)	N/A	N/A	20.10	21.78
30	Upper Midwest	30,683,904,926	34,315,086,523	12.1	0.1	0.3	17.52	18.30
32	Central	13,388,598,382	15,199,122,243	13.8	(0.0)	0.8	17.42	18.82
33	Mideast	16,805,805,704	16,719,120,120	(0.2)	0.2	1.2	17.62	19.20
124	Pacific Northwest	6,718,738,404	8,239,346,735	23.0	(0.2)	0.9	17.20	18.84
126	Southwest	9,994,236,506	12,901,022,097	29.4	1.0	1.6	18.40	19.63
131	Arizona	4,555,889,957	4,615,376,352	1.6	N/A	N/A	17.62	19.44
All Market Total/Average		122,388,446,122	132,100,159,184	8.2	0.4	1.2	18.61	20.12

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable. ^ Adjusted for leap year.

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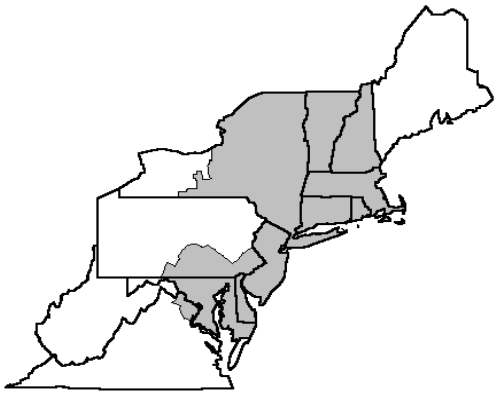
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	798,636,312	$19.06	152,220,081.07	
Butterfat	15,416,471	1.8116	27,928,478.86	
Less: Location Adjustment to Handlers			(2,715,505.34)	$177,433,054.58
Class II— Butterfat	28,224,075	1.7944	50,645,280.16	
Nonfat Solids	45,802,364	1.8344	84,019,856.52	134,665,136.68
Class III– Butterfat	26,081,184	1.7874	46,617,508.27	
Protein	18,337,537	4.1870	76,779,267.46	
Other Solids	33,200,048	0.4155	13,794,619.94	137,191,395.67
Class IV– Butterfat	14,926,035	1.7874	26,678,794.94	
Nonfat Solids	22,293,546	1.8470	41,176,179.49	67,854,974.43
Total Classified Value				**$517,144,561.36**
Add: Overage—All Classes				148,449.77
Inventory Reclassification—All Classes				22,026.02
Other Source Receipts	3,505,388 Pounds			112,231.88
Total Pool Value				**$517,427,269.03**
Less: Producer Component Valuations @ Class III Component Prices				(490,279,574.44)
Total PPD Value Before Adjustments				**$27,147,694.59**
Add: Location Adjustment to Producers				11,656,152.06
One-half Unobligated Balance—Producer Settlement Fund				1,011,291.21
Less: Producer Settlement Fund—Reserve				(952,065.37)
Total Pool Milk & PPD Value	2,183,318,685 Producer pounds			**$38,863,072.49**
Producer Price Differential		**$1.78**		
Statistical Uniform Price		**$22.93**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

February 2014 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA*: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com;
website address: www.fmmone.com

February Pool Price Calculation

The February 2014 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $24.42 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 $25.76 per hundredweight. The February statistical uniform price was $1.49 per hundredweight above the January price. The February producer price differential (PPD) at Suffolk County was $1.07 per hundredweight, a decrease of 71 cents per hundredweight from last month.

Product Prices Effect

During February, all product prices rose. The butter price increased over 18 cents per pound and the cheese price rose over 20 cents per pound. All component prices increased; the nonfat solids price set a new record at $1.8914 per pound while the protein price was the third highest at $4.6044 per pound, only surpassed by Dec 2007 and June 2008.

All class prices increased from the previous month. The Class I price rose 54 cents; Class II increased $1.52; Class III jumped $2.20 (same as last month), and Class IV was up $1.17, all on a per hundredweight basis. Overall, the SUP increased, setting a new record-high since the Order's inception and for the first time ever was over $24.00 per hundredweight. The spread between the classes tighten and resulted in a lower PPD than last month.

Records Set

The SUP set a record-high not only for the month of February, but for the Order, and was $1.20 higher than the previous record set in August 2011. Although total pooled milk receipts declined for February, they were the third highest ever for the month on a per day basis. Class I volume was the lowest ever for the month of February. The volume of milk used in Class II was less than the same month of the previous year, but it was the second highest volume ever for the month of February on a per day basis. Both the producer butterfat and protein test set records as the highest ever for the month of February. ❖

Pool Summary

- A total of 12,251 producers were pooled under the Order with an average daily delivery per producer of 5,737 pounds.
- Pooled milk receipts totaled 1.968 billion pounds, relatively unchanged from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 37.0 percent of total milk receipts, a decrease of 0.3 percentage points from January.
- The average butterfat test of producer receipts was 3.87 percent.
- The average true protein test of producer receipts was 3.12 percent.
- The average other solids test of producer receipts was 5.72 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	37.0	727,032,063
Class II	24.5	482,201,638
Class III	25.5	502,627,688
Class IV	13.0	256,156,638
Total Pooled Milk		1,968,018,027

Producer Component Prices

	2014	2013
	$/lb	
Protein Price	4.6044	2.9609
Butterfat Price	2.0109	1.6619
Other Solids Price	0.4453	0.4534

Class Price Factors

	2014	2013
	$/cwt	
Class I	25.27	21.46
Class II	23.73	18.49
Class III	23.35	17.25
Class IV	23.46	17.75

U.S. Milk Production Increase Lower Than in Previous Years

Total milk production in the United States grew 0.6 percent in 2013, a lower rate than the past 3 years. U.S. milk production grew 1.9, 1.8, and 1.9 percent in 2010, 2011, and 2012, respectively. Percent changes have been adjusted for leap year in 2012.

The top ten milk-producing states combined production only rose 0.5 percent, considerably less than the 1.6 percent in 2012 and 2.0 percent in 2011 and 2.5 percent in 2010. The top 23 states as reported by the National Agricultural Statistics Service (NASS) increased 0.7 percent. The accompanying table shows the top ten states ranked by their total 2013 production.

Top Producing States-No Changes in Rank

The top ten list contained the same states as in 2012 although the order has changed. New York regained the number three spot that it lost to Idaho in 2010, finishing 38 million pounds higher. Idaho experienced double-digit increases from 1994-2000, an average increase of 6.9 percent from 2001-2008, slower growth in recent years, but reported a decrease of 0.7 percent in 2013. Another switch in the top ten rankings: Michigan displaced Minnesota in the number seven position, finishing 24 million pounds higher. California, Idaho, and New Mexico were the only top ten states reporting decreases in milk production in 2013.

Northeast above National Average

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling into the marketing area) increased 1.6 percent in 2013, more than double the U.S. average. Production in the 3 top producing states in the milkshed (New York, Pennsylvania, and Vermont) rose a combined 1.8 percent. Changes for New York and Pennsylvania are shown in the table; Vermont (ranked number 17) rose 1.7 percent. About half of the states in the milkshed reported decreases, but this group only accounted for 7.0 percent of Northeast milk production and had a combined decrease of 1.0 percent. The remaining states had a combined increase of 1.8 percent with New York, Connecticut, and Massachusetts all reporting growth greater than the combined average.

Cow Numbers and Production per Cow

Nationally, the number of milk cows decreased a slight 0.1 percent in 2013; in 2012, they increased 0.4 percent. Twenty-one states showed declining cow numbers, 14 states reporting increases, and the remainder had no change. Of those with decreasing cow numbers, five were in the top ten states. In the Northeast milkshed states, milk cow numbers declined 0.4 percent; this follows the decrease in 2012 of 0.6 percent. The combined total for New York, Pennsylvania, and Vermont was down a 0.2 percent; Pennsylvania dropped 0.6 percent; Vermont increased 0.8 percent; and New York had no change.

Average milk production per cow (MPC) grew 0.7 percent nationally (leap year adjusted); this follows an increase of 1.4 percent in 2012. For the Northeast, the increase was 2.0 percent. The U.S. average milk per cow was 21,822 pounds in 2013; the average was 20,545 pounds in the Northeast states. Milk per cow for the Northeast states has continue to rise, but continues to lag behind the national average. Only thirteen states had MPC greater than the national average; seven of them are in the top ten and most are in the western part of the country. For the first time since 1995, New York's MPC was above the national average.❖

Top Ten States, Ranked by Milk Production, 2013

Rank	State	2012	2013	Percent Change	2013 Cows	2013 MPC*
		(million pounds)			(1,000 head)	(pounds)
1	California	41,801	41,256	(1.0)	1,780	23,178
2	Wisconsin	27,224	27,572	1.6	1,271	21,693
3	New York	13,190	13,469	2.4	610	22,080
4	Idaho	13,558	13,431	(0.7)	573	23,440
5	Pennsylvania	10,478	10,565	1.1	533	19,822
6	Texas	9,596	9,610	0.4	437	21,984
7	Michigan	8,991	9,164	2.2	380	24,116
8	Minnesota	9,073	9,140	1.0	464	19,698
9	New Mexico	8,149	8,057	(0.9)	323	24,944
10	Washington	6,234	6,336	1.9	266	23,820
	Top Ten Total	148,294	148,600	0.5	6,637	22,390
	U.S. Total	200,537	201,218	0.6	9,221	21,822

Source: NASS, *Milk Production.* * Milk produced per cow.

Market Outlook

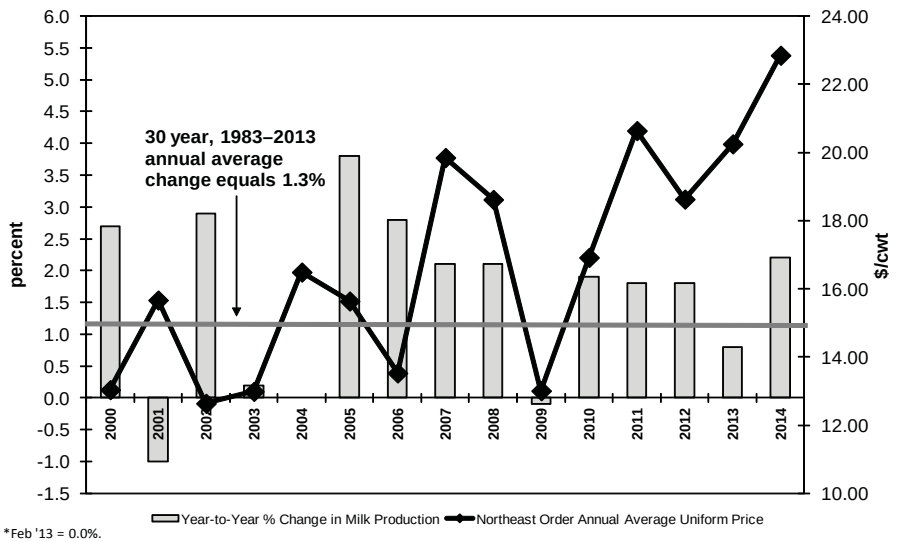
Based on Chicago Mercantile Exchange futures prices that settled on March 14, 2014, for the Northeast Order at Boston, MA, the uniform price is forecast to average $22.85 for the year in 2014. Based on the same data, the 2014 Class I price is forecast to average $24.91 per cwt.

Production and Price Relationships

Historically, high milk prices and margins signal expansion in supply, which is in turn followed by a softening of prices. Chart 1 shows the annual percent change in milk production and the average annual uniform price at Boston, MA, from 2000 through projected 2014. The chart also includes a horizontal line indicating the 30-year annual average change in milk production of 1.3 percent. In the first half of the chart, production changes that were above that long term average production change tend to correspond to low and/or declining uniform prices. From 2007 on, production changes above the long term trend do not seem to reflect this negative correlation, at least as regularly. The increasing role of exports in the U.S. dairy demand equation are playing a factor.

Chart 1

Relationship Between U.S. Milk Production and Uniform Price, 2000–2014*



*Feb '13 = 0.0%.

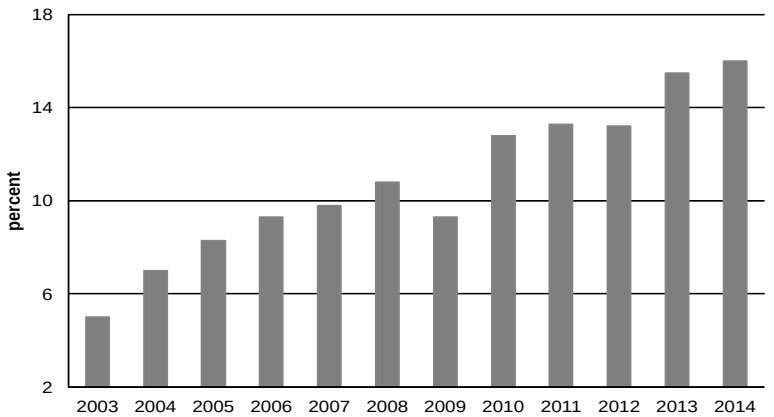
Source: NASS, *Milk Production*.

Role of Exports

Chart 2 shows the increasing percent of U.S. milk that is exported (on a solids basis). A record 15.5 percent of U.S. milk production was exported in 2013, and that figure is estimated to rise to 16 percent in 2014. About twice as much production than in 2005, on a percent of total basis, now finds a home outside of the U.S. The onset of the increase in U.S. dairy exports aligns with the period in which the typical production and price relationship becomes less apparent. The uniform price in Boston, MA, was or is projected to be above $18.00 for 6 of the 8 years since 2007, most of which were strong domestic milk production years. The only exceptions to $18 or higher uniform prices since 2007 are 2009 and 2010. Those years include, and immediately follow, a global recession and corresponding softening of exports (though still 9.8 percent of U.S. milk production in 2009). Still, 2009 may offer insight into the risk of future global economic downturns and their impact on domestic prices as we rely increasingly on global markets. In all, it appears that increasing strength of U.S. exports is playing a factor in supporting historically high minimum milk prices generated under federal order pricing formulas, resulting in record high prices for Northeast Order producers.

Chart 2

Percent of U.S. Milk Production Exported, 2003–2014



Source: U.S. Dairy Export Council; milk solids basis; 2014 estimated.

Outlook

For various reasons, U.S. production to favorable margins has been uneven thus far. If a production response becomes much more widespread, exports will need to remain strong to support prices. Evidence suggests this will be the case. Exports began 2014 at roughly the same volume as the final four months of 2013. Milk production from other global major suppliers has been on the rise but easily has been absorbed by the market. According to the U.S. Dairy Export Council, China is buying at unprecedented levels, supporting the entire dairy complex. China has squeezed out other buyers in recent months, such as Mexico and Japan.❖

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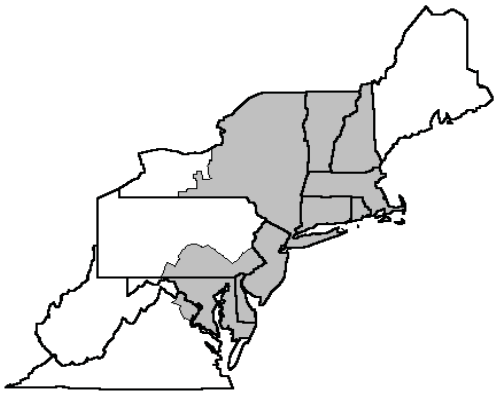
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	713,000,367	$19.82	141,316,672.74	
Butterfat	14,031,696	1.7550	24,625,626.48	
Less: Location Adjustment to Handlers			(2,474,063.40)	$163,468,235.86
Class II— Butterfat	26,184,395	2.0179	52,837,490.68	
Nonfat Solids	41,956,437	1.9189	80,510,206.97	133,347,697.65
Class III– Butterfat	21,972,999	2.0109	44,185,503.67	
Protein	15,660,447	4.6044	72,106,962.21	
Other Solids	28,606,352	0.4453	12,738,408.54	129,030,874.42
Class IV– Butterfat	13,908,975	2.0109	27,969,557.78	
Nonfat Solids	22,280,202	1.8914	42,140,774.06	70,110,331.84
Total Classified Value				**$495,957,139.77**
Add: Overage—All Classes				67,761.44
Inventory Reclassification—All Classes				265,280.52
Other Source Receipts	3,481,020 Pounds			86,711.94
Total Pool Value				**$496,376,893.67**
Less: Producer Component Valuations @ Class III Component Prices				(485,935,076.51)
Total PPD Value Before Adjustments				**$10,441,817.16**
Add: Location Adjustment to Producers				10,471,919.90
One-half Unobligated Balance—Producer Settlement Fund				1,004,816.91
Less: Producer Settlement Fund—Reserve				(823,514.08)
Total Pool Milk & PPD Value	1,971,499,047 Producer pounds			**$21,095,039.89**
Producer Price Differential		**$1.07**		
Statistical Uniform Price		**$24.42**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

March 2014 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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March Pool Price Calculation

The March 2014 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $24.97 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 $26.26 per hundredweight. The March statistical uniform price was 55 cents per hundredweight above the February price. The March producer price differential (PPD) at Suffolk County was $1.64 per hundredweight, an increase of 57 cents per hundredweight from last month.

Product Prices Effect

During March, all product prices rose except cheese. As a result, all component prices increased except protein. The nonfat solids price set a new record at $1.9027. All class prices increased from the previous month except the Class III price, which dropped only 2 cents per hundredweight. The Class I price had the largest increase ($1.62 per hundredweight), based off of the higher butter and cheese prices during mid-February. The Class II price rose 49 cents and the Class IV price was up 20 cents per hundredweight. Overall, the SUP increased, setting another record-high and neared the $25.00 mark. The spread between the classes was slightly wider than last month and resulted in a higher PPD.

Records Set

As mentioned above, the SUP set a record-high not only for the month of March, but it was the highest SUP since the Order's inception in 2000. Class I volume was the lowest ever for the month of March and the first time for that month that Class I was below 800 million pounds. The March Class I price set a new record at $26.89 per hundredweight; April's price is 1 cent higher. Based on Chicago Mercantile Futures, prices are expected to decline in future months. Both the producer butterfat and protein tests set records as the highest ever for the month of March.❖

Pool Summary

- A total of 12,218 producers were pooled under the Order with an average daily delivery per producer of 5,795 pounds.
- Pooled milk receipts totaled 2.195 billion pounds, an increase of 0.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 35.6 percent of total milk receipts, a decrease of 1.4 percentage points from February.
- The average butterfat test of producer receipts was 3.85 percent.
- The average true protein test of producer receipts was 3.12 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	35.6	781,363,132
Class II	24.3	533,745,841
Class III	26.8	588,601,333
Class IV	13.3	291,166,302
Total Pooled Milk		2,194,876,608

Producer Component Prices

	2014	2013
	$/lb	
Protein Price	4.5172	2.8204
Butterfat Price	2.0402	1.7476
Other Solids Price	0.4700	0.4179

Class Price Factors

	2014	2013
	$/cwt	
Class I	26.89	21.05
Class II	24.22	18.82
Class III	23.33	16.93
Class IV	23.66	17.75

Contribution to the Statistical Uniform Price

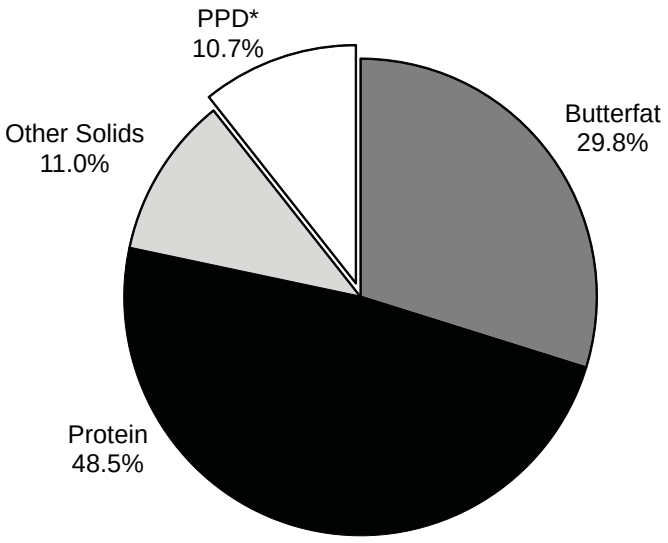
The statistical uniform price that is calculated and announced each month as a representation of the minimum per hundredweight price that producers receive, combines values for milk components together with the Producer Price Differential (PPD). The component value paid to producers reflects their respective farms' component tests and is paid at the same value as the announced component prices for Class III milk for butterfat, protein, and other solids. The PPD price is the residual value left in the pool after producers are paid for their milk components, and is impacted by the utilization of milk in the respective four classes as well as overall price levels.

Chart 1 shows the percentage contribution of the three components and the PPD to the annual average statistical uniform price. For 2013, milk components combined for a total of 89.3 percent of the value. This valuation is determined by the levels of all producers' respective component tests combined with the respective component prices for the year. Over the years, the proportion of the statistical uniform price attributed to the value of milk components generally has increased (see Chart 2). This largely is due to increases in the component price levels of protein and other solids. Increases in the level of producer tests also have occurred, which have contributed to higher overall values.

As Chart 2 depicts, while there have been some dips in the value of the component proportion during this time, such occurrences reflected lower market prices for the commodities that generate component prices, with 2009 of particular note. These dips do not necessarily correspond with lower overall uniform prices, as the chart is depicting the proportion of the components, not the level of prices.

Chart 1

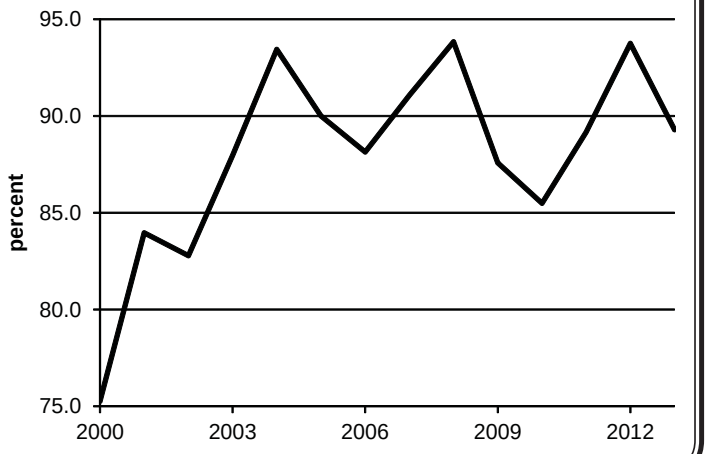
Contribution to the Statistical Uniform Price, 2013 Annual Average



Shifts in how milk is utilized in the Order also have had an effect on the contribution of the PPD since it largely is the Class I valuation of the pool that generates the revenue for the PPD. As Class I utilization has declined, there has been less value to be returned to producers via the PPD and thus the increasing value of milk components.❖

Chart 2

Contribution Percentage of Components to the Statistical Uniform Price, 2000–2013



Dairy Forward Pricing Program Extended

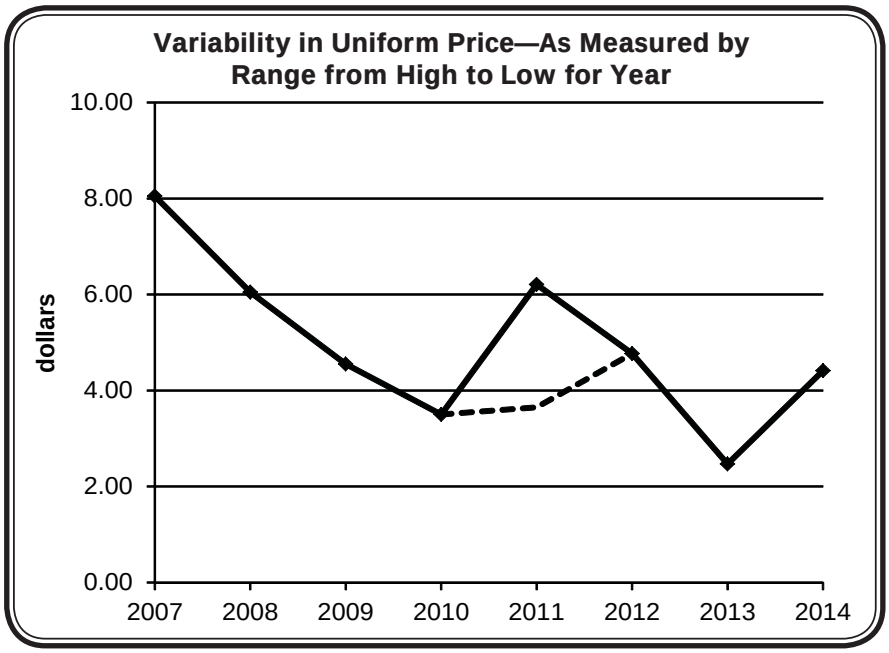
The recently passed Agricultural Act of 2014 (2014 Farm Bill) included language extending the Dairy Forward Pricing Program (DFPP) under Federal Milk Marketing Orders. The DFPP was first authorized as part of the Food, Conservation and Energy Act of 2008 and allowed forward price contracts between handlers and dairy farmers to be entered into through September 30, 2012. Legislation signed in January 2013 renewed authority for the program through September 30, 2013. The current extension renews the program's authority allowing contracts to be entered into through September 30, 2018, with all terms of the contracts expiring September 30, 2021.

The DFPP allows handlers to pay producers or cooperative associations a negotiated price, rather than the Federal order minimum blend price for producer milk, subject to conditions and terms of the agreed upon forward contract. A limitation is that the volume of milk cannot exceed the handler's volume of milk that they utilize in Classes II, III, and

(continued on page 3)

Price Variability Lower While at Higher Levels

Historically, it's been the case that high milk prices exist with high milk price variability. More recently that has not been the case. The uniform price at the Boston, MA, differential zone has averaged above $18.50 per hundredweight (cwt) all but 2 years since 2007. The uniform price has been above $20.00 per cwt two of the last 3 years and currently projects to finish above that level again in 2014 (based on April 10, Chicago Mercantile Class III and IV futures prices). When prices hit then-record high levels in 2004 and in 2007, they corresponded with some of the highest levels of variability, as measured by the low to high range in monthly uniform prices for the year. This measure of variability since 2007 is presented in the accompanying chart. The low variability in 2013 (a range of just $2.47 per cwt) was coupled with the second highest uniform price ever. The fact that 2013 was the fifth lowest variability by year with an average price over $20.00 is all the more notable when considering that the 4 years with lower variability averaged a uniform price of just $13.71.



It should be noted that in 2011, when the uniform price averaged the highest ever for the Order ($20.64 per cwt), the range in prices would have been just $3.65 per cwt instead of $6.21 per cwt, if not counting the first 2 months of that year (this result is depicted as the dashed line on the chart). The price in January and February of 2011 was $17.01 and $18.75, respectively, and had not yet responded to supply and demand conditions that supported a price over $20.00 per cwt and at a narrower range most of the remainder of that year.❖

Dairy Forward *(continued from page 2)*

IV only, for the month on the order that regulates the milk. Therefore, handlers with Class I utilization only cannot offer a fixed price forward contract to dairy producers or cooperatives. There area number of rules and safeguards that apply before a contract can be officially executed. For more information, contact the office of the Northeast Milk Market Administrator to receive a copy of the applicable rules or go to the Northeast Order website link: http://www.fmmone.com/Misc_Docs/Dairy_Forwarding_Pricing_Extension_03_21_14.pdf.❖

Pool Summary for All Federal Orders, January–March 2014

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2013	2014	Change^	2013	2014	2013	2014
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**6,375,507,340**	**6,342,707,932**	**(0.5)**	**2.05**	**1.50**	**19.49**	**24.11**
5	Appalachian	1,495,961,808	1,419,468,103	(5.1)	N/A	N/A	20.68	25.23
6	Florida	735,621,120	736,454,411	0.1	N/A	N/A	22.94	27.20
7	Southeast	1,648,260,449	1,389,447,793	(15.7)	N/A	N/A	21.08	25.71
30	Upper Midwest	8,738,500,475	7,973,841,683	(8.8)	0.28	0.15	17.72	22.76
32	Central	3,714,562,505	3,788,135,447	2.0	0.74	0.20	18.18	22.81
33	Mideast	4,334,778,430	4,066,965,501	(6.2)	1.00	0.46	18.44	23.07
124	Pacific Northwest	2,070,815,601	1,921,221,641	(7.2)	0.64	0.27	18.08	22.88
126	Southwest	3,607,371,562	2,984,481,193	(17.3)	1.52	1.04	18.96	23.65
131	Arizona	1,211,496,004	1,258,353,603	3.9	N/A	N/A	18.54	23.51
	All Market Total/Average	33,932,875,294	31,881,077,307	(6.0)	1.04	0.60	19.41	24.09

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable. ^ Adjusted for leap year.

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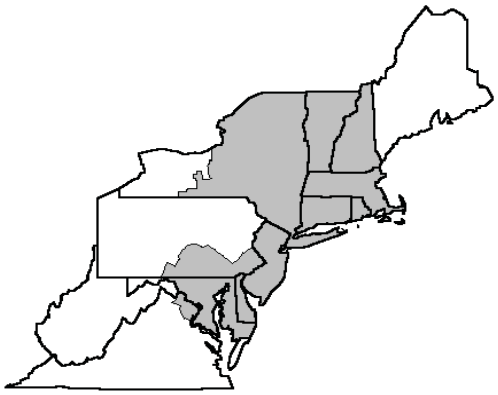
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	766,479,046	$20.39	156,285,077.48	
Butterfat	14,884,086	2.0623	30,695,450.56	
Less: Location Adjustment to Handlers			(2,683,129.31)	$184,297,398.79
Class II— Butterfat	30,753,075	2.0472	62,957,695.20	
Nonfat Solids	46,239,883	1.9633	90,782,762.27	153,740,457.47
Class III– Butterfat	26,144,518	2.0402	53,340,045.72	
Protein	18,291,444	4.5172	82,626,110.83	
Other Solids	33,521,339	0.4700	15,755,029.33	151,721,185.88
Class IV– Butterfat	12,688,633	2.0402	25,887,349.03	
Nonfat Solids	25,608,289	1.9027	48,724,891.49	74,612,240.52
Total Classified Value				**$564,371,282.66**
Add: Overage—All Classes				230,692.42
Inventory Reclassification—All Classes				76,971.18
Other Source Receipts	4,836,338 Pounds			153,633.31
Total Pool Value				**$564,832,579.57**
Less: Producer Component Valuations @ Class III Component Prices				(540,454,216.08)
Total PPD Value Before Adjustments				**$24,378,363.49**
Add: Location Adjustment to Producers				11,770,926.47
One-half Unobligated Balance—Producer Settlement Fund				1,023,428.96
Less: Producer Settlement Fund—Reserve				(1,097,426.67)
Total Pool Milk & PPD Value	2,199,712,946 Producer pounds			**$36,075,292.25**
Producer Price Differential		**$1.64**		
Statistical Uniform Price		**$24.97**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

April 2014 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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website address: www.fmmone.com

April Pool Price Calculation

The April 2014 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $25.46 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 $26.39 per hundredweight. The April statistical uniform price was 49 cents per hundredweight above the March price. The April producer price differential (PPD) at Suffolk County was $1.15 per hundredweight, a decrease of 49 cents per hundredweight from last month.

Product Prices Effect

During April, all product prices rose except nonfat dry milk. As a result, all component prices increased except nonfat solids that dropped 7 cents per pound from last month's record-setting high. The producer protein component price for April was the second highest ever under the Order. All class prices increased from the previous month except the Class IV price that dropped 32 cents per hundredweight. The Class I price was only 1 cent higher than in March, the Class II price rose 52 cents per hundredweight, and the Class III price jumped nearly a dollar and, for the first time since January 2013, was above the Class IV price. Overall, the SUP increased, setting another record-high since the Order's inception and for the first time ever was above $25.00 per hundredweight. The spread between the classes tightened somewhat, resulting in a lower PPD.

Records Set

As mentioned above, the SUP set a record-high not only for the month of April, but it was the highest SUP since the Order's inception. Class I, II, and III prices set record-highs in April ; May's Class I price is even higher. Class I volume continued its downward trend and was the lowest ever for the month of April. The producer butterfat test tied with last year as the highest for the month of April. For the first time since October 2013, the producer protein test did not set a record for the month.❖

Pool Summary

- A total of 12,201 producers were pooled under the Order with an average daily delivery per producer of 5,883 pounds.
- Pooled milk receipts totaled 2.153 billion pounds, an increase of 1.4 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 34.4 percent of total milk receipts, a decrease of 1.2 percentage points from March.
- The average butterfat test of producer receipts was 3.77 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	34.4	739,964,714
Class II	24.0	517,775,463
Class III	25.7	552,294,456
Class IV	15.9	343,158,160
Total Pooled Milk		2,153,192,793

Producer Component Prices

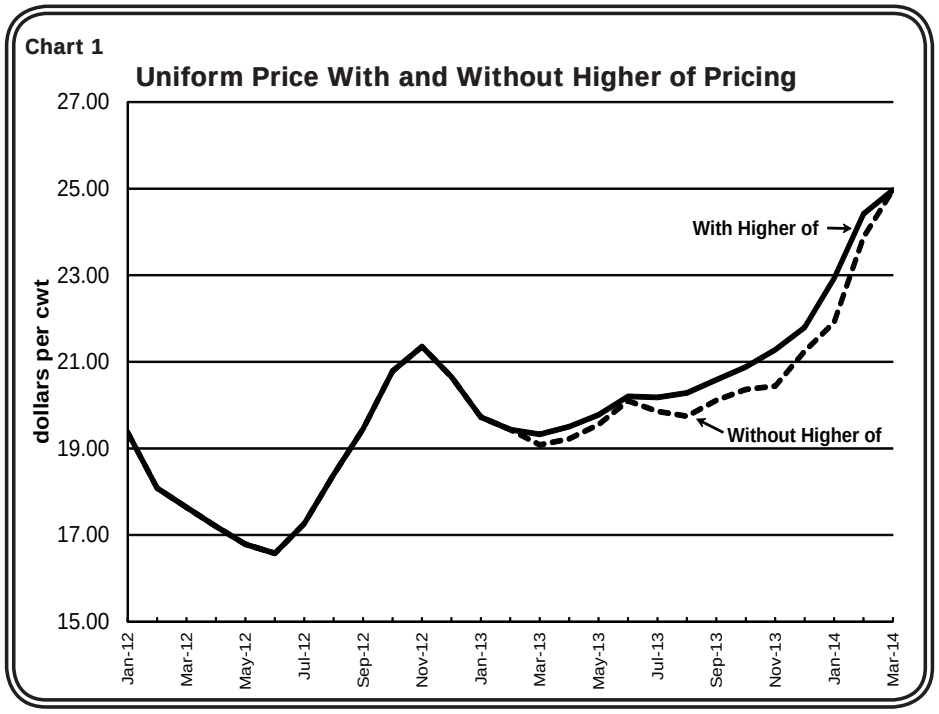
	2014	2013
	$/lb	
Protein Price	4.7089	3.0130
Butterfat Price	2.1207	1.8227
Other Solids Price	0.4926	0.3863

Class Price Factors

	2014	2013
	$/cwt	
Class I	26.90	20.91
Class II	24.74	18.73
Class III	24.31	17.59
Class IV	23.34	18.10

Class III Returns as Mover

With the adoption of federal order reform provisions in January 2000, the Class I price has been set by the higher of the Class III or Class IV advanced skim milk pricing factor. The Class III price largely is determined by cheese prices, and the Class IV price by nonfat dry milk and butter. For 12 months from March 2013 to February 2014, the Class I price was set by the Class IV skim milk pricing factor. The Class III skim milk pricing factor has established the Class I price for two of the past 3 months, however. Since January 2000, Class IV has been the mover 78 months out of a possible 174 months through May 2014, close to an even split (45 percent of the time).

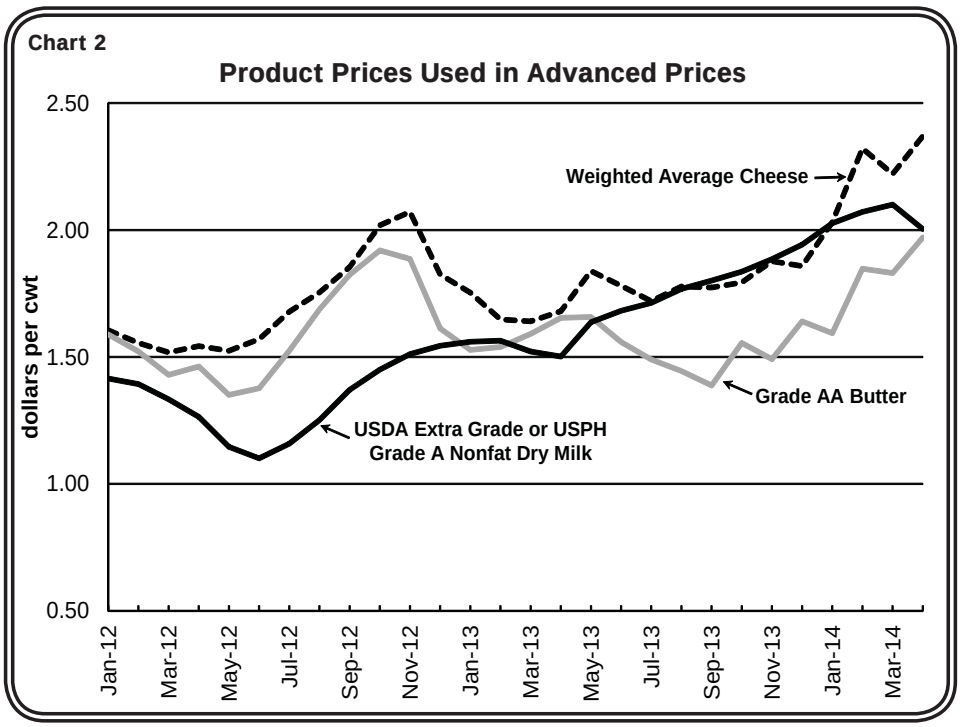


Impact of Using "Higher Of"

Chart 1 presents the uniform price at the Suffolk County base location (Boston) since January 2012 as well as what the uniform price may have been had the Class III skim milk price factor established the Class I price for all months. The Class I price based on Class IV skim milk pricing factor, instead of the lower Class III for the 12 months of March 2013 to February 2014 resulted in a uniform price that was, on average, $0.47 per hundredweight (cwt) higher.

Using Chicago Mercantile Exchange (CME) futures prices as settled on May 8, 2014, as a proxy (federal order prices are based on Agricultural Marketing Service's National Dairy Product Sales Report prices, which closely follow the CME), Class III is expected to establish the Class I price for June, while Class IV returns as the Class I mover for the remainder of the year. Those same futures prices indicate the Class III price dropping $5.59 per cwt and the Class IV price dropping $3.37 per cwt from their April levels by December 2014. That said, a uniform price at Boston, MA, estimated based on December 2014 futures prices would be $21.49 per cwt.

The underlying product prices for weighted average cheese, butter, and nonfat dry milk that were used to establish the Class I price and advanced pricing factors are presented in Chart 2.



Price Dynamics

Demand for nonfat dry milk in the export market played a key role in boosting Class IV prices, and though still a factor, that demand has softened somewhat. Global Dairy Trade (an online dairy product auction) prices have declined at the most recently held auctions, which, according to analysts, is partially due to the absence of Chinese buyers who had been aggressively buying, indicating less demand. As milk was directed to meet the demand of the powder market, the cheese market eventually responded to meeting tightened milk availability with rising wholesale cheese prices, reflected in the Dairy Product Mandatory Reporting Program price surveys, thereby boosting the Class III price.❖

Fluid Milk Container Sales Survey

The 2013 container sales survey was recently completed for the Northeast Milk Marketing Area. This survey is conducted biennially and records sales of fluid milk products by various package types and sizes for the month of November. The survey collects sales data for any type of handler that has sales of packaged fluid milk within the defined geographic region of the Northeast Milk Marketing Area.

Product Type

Packaged sales totaled 725 million pounds in November 2013, down from 739 million in 2011 and 748 million in 2009. Whole milk (regular, unflavored) accounted for the largest proportion of sales (29.7 percent), followed by reduced fat (2% butterfat) with 24.4 percent, lowfat (1% butterfat) with 17.8 percent, and fatfree (skim) with 14.6 percent. Whole milk consistently has been the top selling product by butterfat content in the Northeast, but its sales have declined; in 2003 whole accounted for 36.9 percent of sales. Organic sales were not separated at that time, but even including them in this survey, whole milk only has 31.2 percent of the total in 2013.

Reduced fat and lowfat have risen slowly, while fat free has declined slightly. Flavored milk and drinks (lower-fat and skim) sales accounted for 6.2 percent in 2013, down from 6.7 percent in 2011 and 7.4 percent in 2003. Organic sales (recorded since 2009) have increased modestly from 3.8 percent in 2009 to 5.1 percent in 2013. Buttermilk and eggnog sales have changed little over the years; in 2003 buttermilk was 0.4 percent, in 2013 it had 0.5 percent of the total. Eggnog was 1.9 percent of the total in 2003; it was 1.7 percent in 2013.

Container Type

The proportion of products sold in plastic containers grew 0.5 percentage points to 78.7 percent while paper containers declined to 20.9 percent and glass rose slightly to 0.4 percent of all sales in November 2013. Sales of products in glass containers have been negligible for many years, accounting for only 0.2 percent of the total in 2003. There has been a very slight increase in the past few surveys, and in the most recent survey they accounted for 0.4 percent; the increase most likely correlating with the increase in organic sales.

Sales of milk in single serve plastic containers declined from a high of 3.4 percent of all plastic in 2009 to 2.7 percent in 2013. Overall they accounted for 2.1 percent of all sales in the area. These containers mainly consist of half-pints, followed by pints, but also include 14, 13.5, 12, and 10 ounce sizes.

Container Size

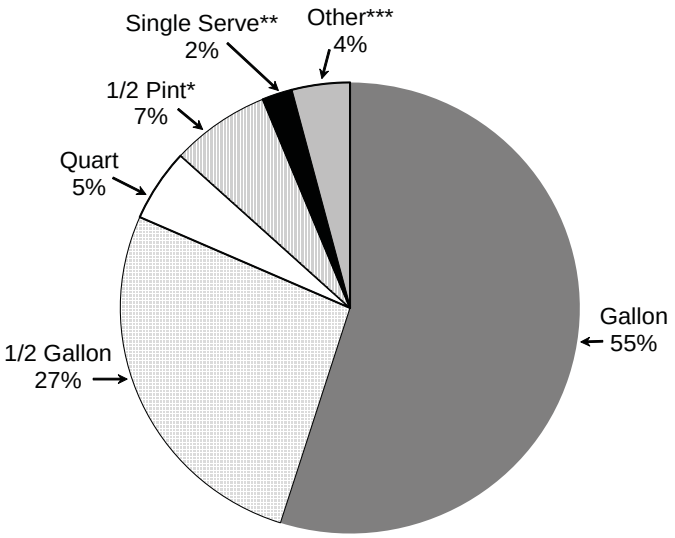
Gallon-size containers continued to be the predominate size in the Northeast Area with 54.9 percent (see accompanying chart). Half-gallons (both plastic and paper) had the second-largest share with 26.7 percent. These proportions have changed little since 2003 when gallons made up 53.5 percent and half-gallons had 26.9 percent; percentages have ranged from 53.1 to 55.3 for gallons, while half-gallons have ranged from 26.3 to 27.2 since 2003.

Quart containers have declined consistently since 2003 when they accounted for 6.8 percent; in 2013 they were 5.2 percent. Pints also have declined, from 2.6 percent in 2003 to 0.7 in 2013, while half-pints accounted for 8.0 percent in 2013, which is also the average since 2003. These include both paper and plastic for quarts, pints, and half-pints. In the largest container sizes, 6-gallons have declined from 0.4 to 0.2 percent since 2003, while 5-gallons have hovered around 1.0 percent over the years.

Method of Distribution

Sales to supermarkets accounted for 35.8 percent, dairy and convenience stores 12.6 percent, institutional (military and schools) 6.8 percent, and other wholesale (superstores, hyper markets, wholesales clubs) had 44.8 percent 2013. Home delivery has represented less than half of a percent of the total sales for many years, and most recently, dropped to only 0.2 percent of the total in 2013. Other wholesale have grown over the years, from a 27.2 in 2003 to nearly 45 percent in 2013.❖

Sales by Container Size, November 2013



* Only glass and paper.

** Includes plastic pints, 1/2 pints, 14, 13.5, 12, and 10-oz containers.

*** Includes plastic 5 & 6 gallons, glass and paper pints, and other sizes not shown.

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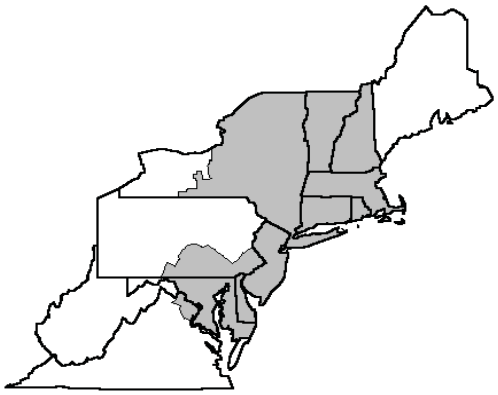
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	725,816,097	$20.47	148,574,555.06	
Butterfat	14,148,617	2.0419	28,890,061.05	
Less: Location Adjustment to Handlers			(2,549,236.12)	$174,915,379.98
Class II— Butterfat	30,055,408	2.1277	63,948,891.65	
Nonfat Solids	44,612,562	1.9911	88,828,072.23	152,776,963.88
Class III– Butterfat	23,945,752	2.1207	50,781,756.28	
Protein	16,884,957	4.7089	79,509,574.04	
Other Solids	31,514,560	0.4926	15,524,072.28	145,815,402.60
Class IV– Butterfat	12,985,329	2.1207	27,537,987.21	
Nonfat Solids	30,196,174	1.8328	55,343,547.70	82,881,534.91
Total Classified Value				**$556,389,281.37**
Add: Overage—All Classes				122,201.79
Inventory Reclassification—All Classes				209,881.09
Other Source Receipts	855,886 Pounds			22,407.11
Total Pool Value				**$556,743,771.36**
Less: Producer Component Valuations @ Class III Component Prices				(543,416,622.83)
Total PPD Value Before Adjustments				**$13,327,148.53**
Add: Location Adjustment to Producers				11,517,842.17
One-half Unobligated Balance—Producer Settlement Fund				934,136.52
Less: Producer Settlement Fund—Reserve				(1,007,567.47)
Total Pool Milk & PPD Value	2,154,048,679 Producer pounds			**$24,771,559.75**
Producer Price Differential		**$1.15**		
Statistical Uniform Price		**$25.46**		

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



The Market Administrator's

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NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

May 2014 Federal Order No. 1

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website address: www.fmmone.com

May Pool Price Calculation

The May 2014 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $25.24 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 $25.90 per hundredweight. The May statistical uniform price was 22 cents per hundredweight below the April price. The May producer price differential (PPD) at Suffolk County was $2.67 per hundredweight, an increase of $1.52 per hundredweight from last month.

Product Prices Effect

During May, all product prices declined except butter. As a result, all component prices decreased except the butterfat, which rose 15 cents per pound from last month. All class prices decreased from the previous month except the Class I price (based on market values before the modest decline) that rose 82 cents per hundredweight and set a record as the highest ever since the Order's inception. The Class II price dropped 30 cents per hundredweight. The Class IV price declined 69 cents per hundredweight, while the Class III price fell $1.74 and was below the Class IV price. With mostly declining prices, the SUP decreased but for the second month in a row was above $25.00 per hundredweight. The spread between the classes grew somewhat, resulting in a higher PPD.

Records Set

The SUP set a record-high for the month of May and was the second-highest ever since the Order's inception. The Class I price was the highest on record for the Order and all class prices were the highest for the month of May. Class I volume continued its downward trend and, for the first time ever, May's volume was less than 800 million pounds. The producer butterfat test set a new record-high for the month of May. The producer protein test tied with 2008, 2009, and 2013 as the highest for the month. ❖

Pool Summary

- A total of 12,049 producers were pooled under the Order with an average daily delivery per producer of 5,987 pounds.
- Pooled milk receipts totaled 2.236 billion pounds, an increase of 0.5 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 34.6 percent of total milk receipts, an increase of 0.2 percentage points from April.
- The average butterfat test of producer receipts was 3.70 percent.
- The average true protein test of producer receipts was 3.03 percent.
- The average other solids test of producer receipts was 5.74 percent. ❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	34.6	774,820,756
Class II	24.3	543,656,075
Class III	26.1	582,877,693
Class IV	15.0	334,896,533
Total Pooled Milk		2,236,251,057

Producer Component Prices

	2014	2013
	$/lb	
Protein Price	3.9553	3.3597
Butterfat Price	2.2721	1.7884
Other Solids Price	0.4897	0.3887

Class Price Factors

	2014	2013
	$/cwt	
Class I	27.72	21.01
Class II	24.44	18.43
Class III	22.57	18.52
Class IV	22.65	18.89

Prices: Record First Half, Second Half Softening

Agricultural Marketing Service (AMS) National Dairy Product Sales Report (NDPSR) prices for cheese and nonfat dry milk have softened since their highs in April and March, respectively—product price levels that pushed the Northeast Order uniform price to an all time high of $25.46 dollars per hundredweight (cwt) for April 2014. AMS product prices are used in federal order class price formulas that ultimately establish a minimum uniform price. The accompanying chart presents the average weekly price levels for AMS block Cheddar cheese, nonfat dry milk (NFDM), butter, and dry whey since the beginning of 2014.

Some Perspective

Though AMS prices for cheese and NFDM steadily have declined after hitting their peaks, prices for butter and dry whey have risen or remained strong throughout the year. Before looking ahead, to get a perspective on the level of prices to expect as prices soften in the second half of 2014, let's take a look back at price levels during the recent stretch of strong milk prices. The uniform price at Boston has been above $19.32 per cwt for 21 straight months since September 2012, averaging $21.34 per cwt over that period. The average weekly product prices during that period are block Cheddar cheese, $1.91 per pound, butter $1.68 per pound, NFDM $1.74 per pound, and dry whey $0.61 per pound. The most recent (week of June 7) AMS product prices for cheese, NFDM, butter, and dry whey are all still above the average of weekly AMS product prices during that period.

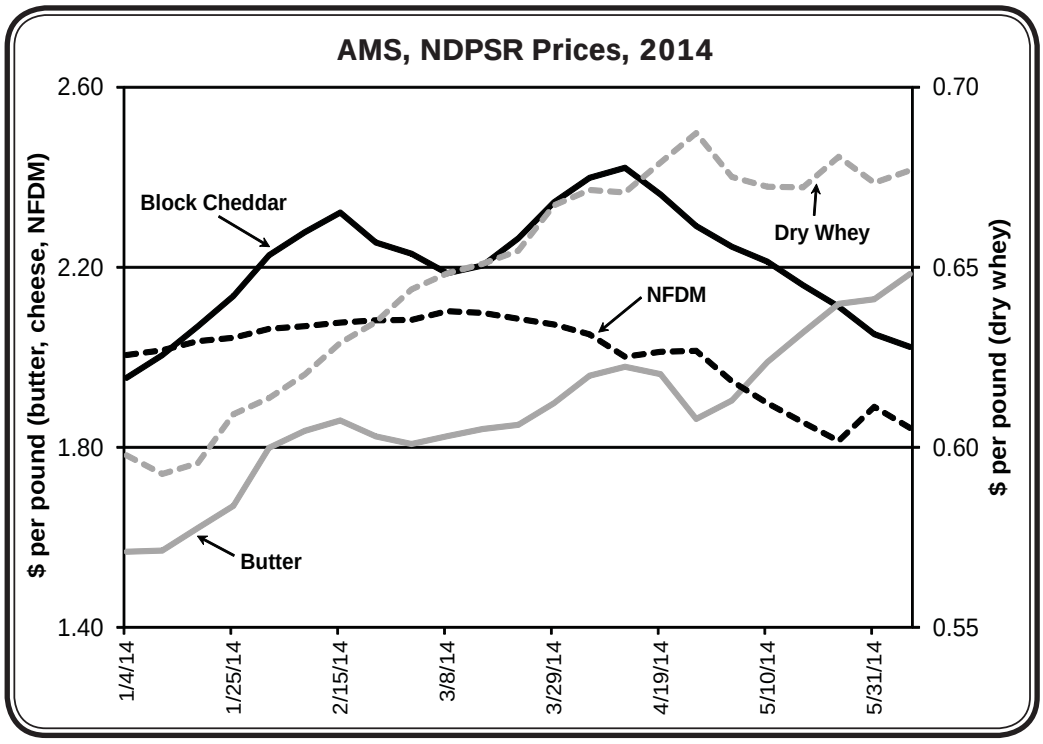
Now Looking Ahead

To look ahead, we'll use Chicago Mercantile Exchange (CME) commodity futures prices for December 2014, as settled on June 16, 2014. CME prices track fairly close to NDPSR prices, so the use of CME futures prices can be a reasonable estimate of where those prices are expected to head in light of current market factors. Those prices currently suggest that all four commodities (cheese, butter, NFDM, and dry whey) will finish the year below their June 7 levels. However, when compared to the average product prices from the strong price period since September 2012, when the uniform price remained above $19.32, it suggests that cheese matches the average from that period and butter will be roughly 30 cents higher, while NFDM and dry whey are 9 cents and 6 cents lower, respectively. These CME commodity futures price levels project a uniform price at Boston of $21.52 per cwt, the lowest of the year, for the month of December 2014. Current market expectations do predict some softening of milk price levels, but still at relatively high levels.

Market Trends

Milk production has been increasing, but at a modest rate. Milk production for the top-23 milk producing states was up 1.2 percent in April over the previous April. In fact, the average year-over-year change in milk production for the past 12 months has been 1.2 percent. Some analysts claim that last winter's cold temperatures are still having an impact on production as Minnesota and Wisconsin experienced declines of 2.7 and 0.3 percent, respectively, while New York and Pennsylvania were up a slight 0.3 and 0.1 percent, respectively. Gains have been stronger in western states. Strong margins eventually should lead to higher milk production growth. In April, the average returns over feed costs were $13.85 per cwt, as calculated using the 2014 Farm Bill margin protection formula. That is more than double over the previous year.

Exports have remained very strong, and were equivalent to 17.7 percent of U.S. milk production in March, on a total solids basis. The combination of modest milk production gains with steady domestic sales and record exports are supporting milk prices at historically high levels, and current information suggests this will be the case during the second half of 2014.❖



Top Producing Counties—Northeast and Nationally

Northeast Highlights

In 2013, the top ten counties in terms of milk pooled on the Northeast Order accounted for 33.5 percent of all milk pooled during the year, the same percent as in 2012. Pooled milk receipts do not necessarily account for all milk produced in the county. Milk shipped to other federal orders, state orders, or unregulated areas is not included in these figures.

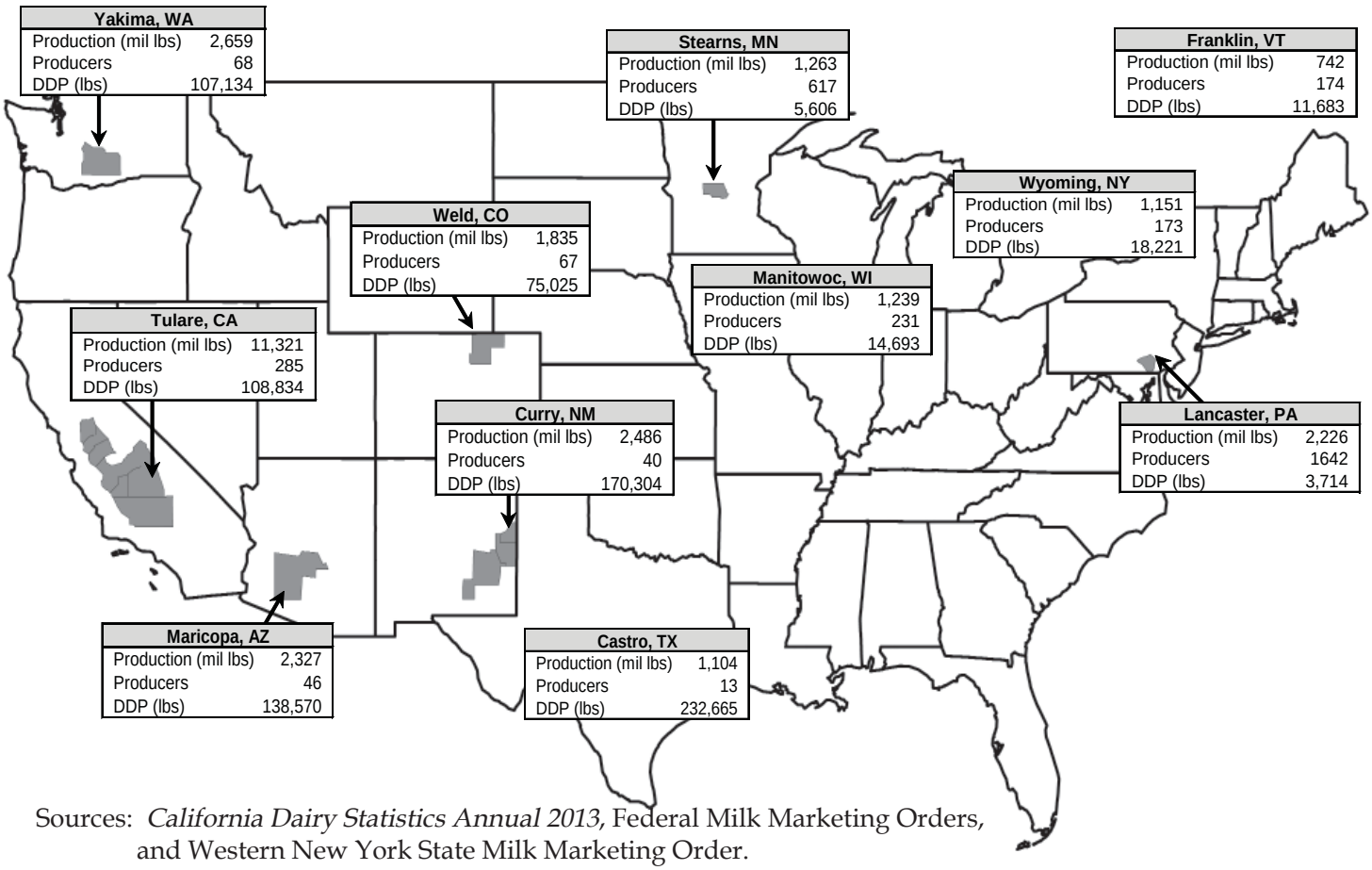
Since the Northeast Order's inception, Lancaster County, PA, has led all counties, accounting for 8.8 percent (2.226 billion pounds) of total milk pooled on the Order in 2013. Lancaster's pooled production consistently has been 2.4 to 3.0 times the level of the second-ranked county, Cayuga County, NY, which had 928 million pounds and has ranked second since 2009. Rounding out the top five were Franklin County (in PA and VT) and St. Lawrence County, NY. Wyoming County, NY, ranked sixth on the Order, but a large portion of milk produced in that county is pooled on other orders—the Western New York State Order and the Mideast Federal Order. Adding the non-Order 1 milk to the total moves Wyoming to the largest milk producing county in New York.

Comparison to Nation

Nationally, there are about 15 counties (shaded on the map) that account for one quarter of all the milk produced in the country. Seven of these counties are in California; the only county in the Northeast in the top 15 is Lancaster County, PA.

Highlighted boxes for 11 selected counties contain 2013 total production (in million pounds) for the county, the number of producers as of December 2013, and the average daily deliveries per producer (DDP) for the county. The counties chosen are the largest for the states shown. These counties were selected to show the variation in producer numbers and DDP. For example, Lancaster County in Pennsylvania has over 16 times the number of producers than Cayuga County, NY, but only one-seventh the DDP.❖

Milk Production, Number of Producers, and Average Daily Deliveries Per Producer in Selected U.S. Counties, 2013



Sources: *California Dairy Statistics Annual 2013*, Federal Milk Marketing Orders, and Western New York State Milk Marketing Order.

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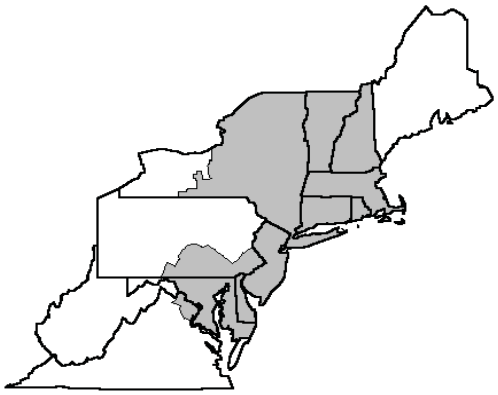
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	760,159,895	$20.70	157,353,098.27	
Butterfat	14,660,861	2.2115	32,422,494.10	
Less: Location Adjustment to Handlers			(2,655,966.03)	$187,119,626.39
Class II— Butterfat	30,561,459	2.2791	69,652,621.22	
Nonfat Solids	46,783,852	1.8956	88,683,469.87	158,336,091.09
Class III– Butterfat	24,910,830	2.2721	56,599,896.85	
Protein	17,674,077	3.9553	69,906,276.72	
Other Solids	33,299,378	0.4897	16,306,705.41	142,812,878.98
Class IV– Butterfat	12,711,488	2.2721	28,881,771.88	
Nonfat Solids	29,345,867	1.6919	49,650,272.35	78,532,044.23
Total Classified Value				**$566,800,640.69**
Add: Overage—All Classes				73,470.06
Inventory Reclassification—All Classes				96,987.48
Other Source Receipts	637,490 Pounds			32,844.86
Total Pool Value				**$567,003,943.09**
Less: Producer Component Valuations @ Class III Component Prices				(519,402,283.85)
Total PPD Value Before Adjustments				**$47,601,659.24**
Add: Location Adjustment to Producers				11,957,570.36
One-half Unobligated Balance—Producer Settlement Fund				1,109,960.15
Less: Producer Settlement Fund—Reserve				(944,265.59)
Total Pool Milk & PPD Value	2,236,888,547 Producer pounds			**$59,724,924.16**
Producer Price Differential		**$2.67**		
Statistical Uniform Price		**$25.24**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

June 2014 Federal Order No. 1

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June Pool Price Calculation

The June 2014 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $24.38 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 $24.80 per hundredweight. The June statistical uniform price was 86 cents per hundredweight below the May price. The June producer price differential (PPD) at Suffolk County was $3.02 per hundredweight, an increase of 35 cents per hundredweight from last month.

Product Prices Effect

During June, butter and dry whey product prices increased while cheese and nonfat dry milk prices decreased. As a result, the butterfat and other solids component prices rose and the protein and nonfat solids prices declined. All class prices decreased from the previous month except the Class IV price that rose 48 cents per hundredweight. The Class I price dropped $1.61 per hundredweight; the Class II price decreased 50 cents; the Class III price was down $1.21 per hundredweight from the prior month and remained below the Class IV price. With the decline in prices, the SUP decreased and, after two record-setting months, fell below $25.00 per hundredweight.

Records Set

The total volume of producer receipts was the largest ever for the month of June. Daily deliveries per producer (DDP) were the highest ever under the Order and the second time ever that DDP was over 6,000 pounds. For the first time ever under the Order, Class I volume was less than 700 million pounds. Combined with the significant total volume, the Class I utilization percentage was the lowest ever since the Order's inception and the first time that Class I accounted for less than one-third of the pool volume. The Class II volume was the highest ever for the month of June and the largest volume since August 2013. Class IV volume was the highest ever for the month of June.

Even though the SUP did not set a new record-high for the Order, it was the highest SUP for the month of June. All class prices were the highest for the month of June.❖

Pool Summary

- A total of 12,051 producers were pooled under the Order with an average daily delivery per producer of 6,053 pounds.
- Pooled milk receipts totaled 2.188 billion pounds, an increase of 1.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 31.9 percent of total milk receipts, a decrease of 2.7 percentage points from May.
- The average butterfat test of producer receipts was 3.65 percent.
- The average true protein test of producer receipts was 3.00 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Pooled Milk	Percent	Pounds
Class I	31.9	699,101,130
Class II	26.1	570,514,485
Class III	27.0	590,367,738
Class IV	15.0	328,339,470
Total Pooled Milk		2,188,322,823

Producer Component Prices

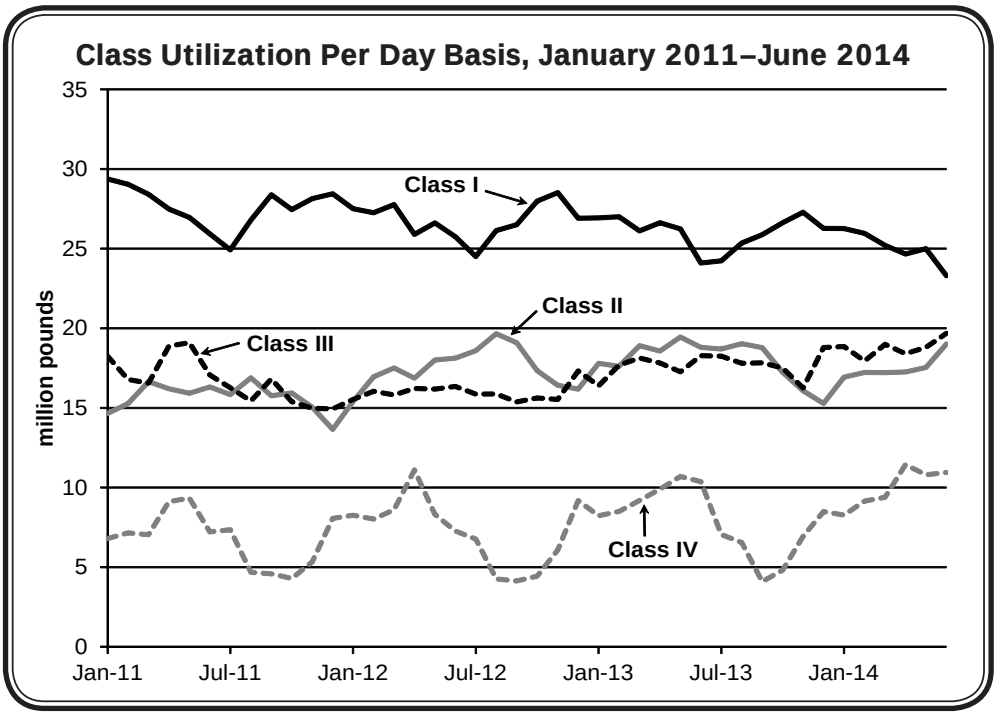
	2014	2013
	$/lb	
Protein Price	3.3437	3.3455
Butterfat Price	2.4413	1.6599
Other Solids Price	0.4942	0.3859

Class Price Factors

	2014	2013
	$/cwt	
Class I	26.11	22.18
Class II	23.94	19.14
Class III	21.36	18.02
Class IV	23.13	18.88

With More Milk Available, Still Less Used as Fluid

It is not surprising that during June 2014, when a record high volume of milk was pooled on the order for the month, record class utilizations for the month were established. Class II and Class IV volumes each hit a record high for the month and total Class III volume was the highest it's been since June 2003. While the order is pooling record volumes of milk, less of that milk is going to fluid use. With record utilizations established in Class II, largely attributable to the recent demand trends in the yogurt category, Class IV, generally considered a balancing class with the manufacture of storable products, set a record for the second June in a row. The accompanying chart presents utilizations for all four classes since January 2011.



Price Impact of Changing Utilizations

In theory, declining utilization in Class I (the class with the highest value) erodes the uniform price to producers. For comparison purposes, the average utilization percentages for each class over the first 10 years of the Northeast Order were Class I, 42.4; Class II, 19.9; Class III, 25.4; and Class IV, 12.3. The June 2014 utilizations were Class I, 31.9; Class II, 26.1; Class III 27.0; and Class IV, 15.0. To get a sense of price impact, substituting the average utilizations for June from the first 10 years of the Order for June 2014's utilizations, at the June 2014 class price levels, would result in a uniform price of $24.68 per hundredweight (cwt), or $0.30 per cwt higher than actual. Still, it must be noted that the uniform price averaged $15.43 per cwt during June of those first 10 years of the Northeast Order, $8.95 per cwt lower than this June's uniform price, the driver of higher prices now being higher commodity values boosting base milk prices under federal orders.

Looking Ahead

Using the average difference in Class I utilization between the month of June and each proceeding month of the year for the Northeast Order, a rough projection of the volume of Class I pounds pooled can be made. For instance, September's level of Class I utilization averages 64.3 million pounds higher than June's. October Class I utilization averages 100.6 million pounds more than June's. This method does not account for specific calendar composition factors in the given month, but offers a reasonable look ahead. With June's Class I utilization of 699.1 million pounds, the result predicts Class I utilization from July through December (in million pounds) to be 707.1, 742.8, 763.4, 799.7, 773.8, and 795.0, respectively. If these occur, they each would be the lowest ever for the respective month for the 15 years of the Northeast Order. While the result is continued record-setting low Class I utilizations, most analysts expect stronger year-over-year milk production during the second half of 2014. This would imply a greater need for balancing by the other classes for at least the remaining months of this year.❖

Class Utilization Changes From Last Year and Five Years Ago

For the first 6 months of 2014, utilization of milk products and cream by pool plants was nearly flat compared to the same period in 2013, which analysts attribute to weather and feed conditions. When compared to the same period in 2009, milk receipts grew 7.1 percent. The table on page 3 shows changes for selected products by class.

Class I usage decreased 3.8 percent during the first six months compared to last year; this was a drop of 10 percent from 5 years ago. Declines occurred in lowfat, fatfree, flavored milk and drinks, and buttermilk and eggnog when comparing to the same period in 2013. Organic milk rose 13.5 percent; very slight increases were seen in whole and reduced fat milk. Compared to 2009, reductions occurred in all product categories except organic milk, which grew 34.1 percent.

(continued on page 3)

Class Utilization Changes *(continued from page 2)*

Class II utilization dropped 5.8 percent from 2013, but was up 32.6 percent over 2009. Class II usage rose significantly beginning in 2010 with the growth of Greek-style yogurt. Even though this type of yogurt continues to be popular and operations have sprung up around the country, its need for milk in the Northeast Order tapered off. Compared to 2013, milk used in yogurt has declined 19.3 percent, but this volume is up 400.9 percent from 2009. US production of yogurt rose 3.2 percent for the January-May period in 2014 (June data were not available for this publication).

Ice cream usage has risen 8.5 percent from last year, but is down 19.2 percent from 2009. Milk used for bakery, candy, and other prepared foods is down slightly from 2013; it rose 22.3 percent from 2009. Cottage cheese usage declined 8.6 and 22.7 percent compared to 2013 and 2009, respectively. Nationally, ice cream production dropped 5.7 percent while cottage cheese production declined 5.0 percent for the first 5 months of 2014.

Class III usage rose 6.7 percent from 2013 and 19.8 percent from 2009 with increases in American, Italian-type, and cream cheeses in both periods. The category that includes Swiss and other-type cheeses declined 5.9 percent from 2013, but was up 32.2 percent from 2009. This category includes Hispanic, Feta, and other ethnic cheeses, but not Italian. Nationally, total cheese production was 1.7 percent higher for the first 5 months of 2014; American production was down 0.2 percent, while Italian was up 4.6 percent. US production of cream cheese declined 6.1 percent for the January-May period in 2014.

Northeast Order Utilization for Selected Products, January–June, 2014 vs. 2013 and 2009

	Product	Volume in* million pounds	Percent Change from 2013	Percent Change from 2009
Class I	Whole	1,261.1	0.7	(11.2)
	Fatfree	558.5	(9.6)	(22.5)
	Organic	298.5	13.5	34.1
	*Total Class I***	5,077.7	(3.8)	(10.0)
Class II	Ice Cream	715.0	8.5	(19.2)
	Prepared Foods	333.5	(0.1)	22.3
	Yogurt	1,066.0	(19.3)	400.9
	Total Class II	3,319.1	(5.8)	32.6
Class III	American	1,175.7	6.7	30.9
	Cream Cheese	402.4	8.6	22.1
	Italian	1,513.2	6.7	9.3
	Total Class III	3,442.3	6.7	19.8
Class IV	Butter	131.9	(8.4)	34.4
	Dried Products	1,768.0	9.4	20.3
	Total Class IV	2,530.7	3.4	6.1
Total Utilization		14,404.6	(0.7)	7.1

* Class totals include other categories now shown such as bulk shipments to nonorder plants, inventory, and shrinkage. Product totals are derived from reports submitted by pooled handlers.
** Only includes sales by fully regulated pool handlers.

Class IV utilization increased 3.4 percent from 2013 and 6.1 percent from 2009. Butter decreased 8.4 percent from 2013, but was up 34.4 percent from 2009. Dried products rose 9.4 and 20.3 percent from 2013 and 2009, respectively. Nationally, butter production was down 3.6 percent for the first 5 months of 2014; nonfat dry milk production was up 3.6 percent.❖

Pool Summary for All Federal Orders, January–June 2014

Federal Order Number	Name	Total Producer Milk 2013	Total Producer Milk 2014	Change^	Producer Price Differential# 2013	Producer Price Differential# 2014	Statistical Uniform Price#* 2013	Statistical Uniform Price#* 2014
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**12,993,203,063**	**12,920,474,605**	**(0.6)**	**1.92**	**1.89**	**19.66**	**24.57**
5	Appalachian	2,981,901,846	2,863,565,142	(4.0)	N/A	N/A	20.66	25.65
6	Florida	1,439,141,066	1,410,105,003	(2.0)	N/A	N/A	22.84	27.81
7	Southeast	3,249,886,587	2,811,671,028	(13.5)	N/A	N/A	21.04	26.10
30	Upper Midwest	17,326,457,542	16,551,408,472	(4.5)	0.25	0.24	17.99	22.92
32	Central	7,660,978,390	7,683,724,595	0.3	0.62	0.48	18.36	23.16
33	Mideast	8,733,158,782	8,417,724,332	(3.6)	0.91	0.81	18.65	23.49
124	Pacific Northwest	4,264,978,182	4,024,873,368	(5.6)	0.60	0.46	18.34	23.14
126	Southwest	6,848,370,319	6,130,306,300	(10.5)	1.45	1.28	19.19	23.96
131	Arizona	2,432,833,458	2,536,199,645	4.2	N/A	N/A	18.77	23.67
	All Market Total/Average	67,930,909,235	65,350,052,490	(3.8)	0.96	0.86	19.55	24.45

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable. ^ Adjusted for leap year.

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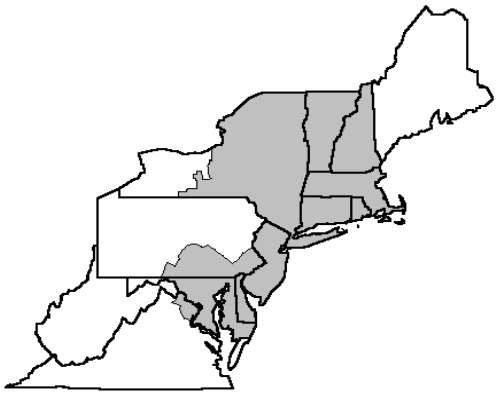
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	685,462,699	$18.83	129,072,626.22	
Butterfat	13,638,431	2.2681	30,933,325.35	
Less: Location Adjustment to Handlers			(2,392,774.56)	$157,613,177.06
Class II— Butterfat	31,090,099	2.4483	76,117,889.38	
Nonfat Solids	48,928,455	1.7700	86,603,365.35	162,721,254.73
Class III– Butterfat	24,103,874	2.4413	58,844,787.61	
Protein	17,678,437	3.3437	59,111,389.81	
Other Solids	33,779,359	0.4942	16,693,759.24	134,649,936.66
Class IV– Butterfat	11,129,784	2.4413	27,171,141.72	
Nonfat Solids	28,724,345	1.6785	48,213,813.11	75,384,954.83
Total Classified Value				**$530,369,323.28**
Add: Overage—All Classes				36,630.74
Inventory Reclassification—All Classes				213,889.43
Other Source Receipts	2,498,885 Pounds			127,677.36
Total Pool Value				**$530,747,520.81**
Less: Producer Component Valuations @ Class III Component Prices				(476,589,159.73)
Total PPD Value Before Adjustments				**$54,158,361.08**
Add: Location Adjustment to Producers				11,898,488.62
One-half Unobligated Balance—Producer Settlement Fund				1,024,218.97
Less: Producer Settlement Fund—Reserve				(918,253.12)
Total Pool Milk & PPD Value	2,190,821,708 Producer pounds			**$66,162,815.55**
Producer Price Differential		**$3.02**		
Statistical Uniform Price		**$24.38**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 2014 Federal Order No. 1

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July Pool Price Calculation

The July 2014 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $24.75 per hundredweight (cwt) 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 $25.06 per cwt. The July statistical uniform price was 37 cents per cwt above the June price. The July producer price differential (PPD) at Suffolk County was $3.15 per cwt, an increase of 13 cents per cwt from last month.

Product Prices Effect

During July, all product prices increased except nonfat dry milk, which declined slightly. As a result, the butterfat and other solids component prices rose, the nonfat solids price dropped slightly, and the protein price decreased due to the increase in the butterfat that is a component of the protein price formula. All class prices increased from the previous month: the Class I price was up 16 cents per cwt; the Class II price rose 47 cents; the Class III price increased 24 cents per cwt; and the Class IV price grew 65 cents from the prior month. With the increase in class prices, and the increase in the spread between the higher class prices and the lowest (Class III), both the SUP and PPD rose.

Records Set

The total volume of producer receipts was the largest ever for the month of July, and the second highest since May 2013. Daily deliveries per producer (DDP) were the highest ever for the month of July. Class I volume was the lowest ever for the month of July, but compared to June there was unchanged on a per day basis. Combined with the significant total volume, the Class I utilization percentage was the lowest ever for the month of July. Class III was the highest volume for July since 2003. Class IV volume was the highest ever for the month of July and the third highest ever for the Order.

The SUP was the highest ever for the month of July and the fourth highest for the Order. All class prices were the highest for the month of July. The producer butterfat test set a record-high for the month of July. Both the producer protein and other solids tests were the second highest for the month.❖

Pool Summary

- A total of 12,316 producers were pooled under the Order with an average daily delivery per producer of 5,798 pounds.
- Pooled milk receipts totaled 2.214 billion pounds, a decrease of 2.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 32.6 percent of total milk receipts, an increase of 0.7 percentage points from June.
- The average butterfat test of producer receipts was 3.63 percent.
- The average true protein test of producer receipts was 2.97 percent.
- The average other solids test of producer receipts was 5.75 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	32.6	721,819,768
Class II	24.9	550,446,706
Class III	26.4	585,304,096
Class IV	16.1	356,118,672
Total Pooled Milk		2,213,689,242

Producer Component Prices

	2014	2013
	$/lb	
Protein Price	3.1798	3.2257
Butterfat Price	2.6349	1.5693
Other Solids Price	0.5046	0.3927

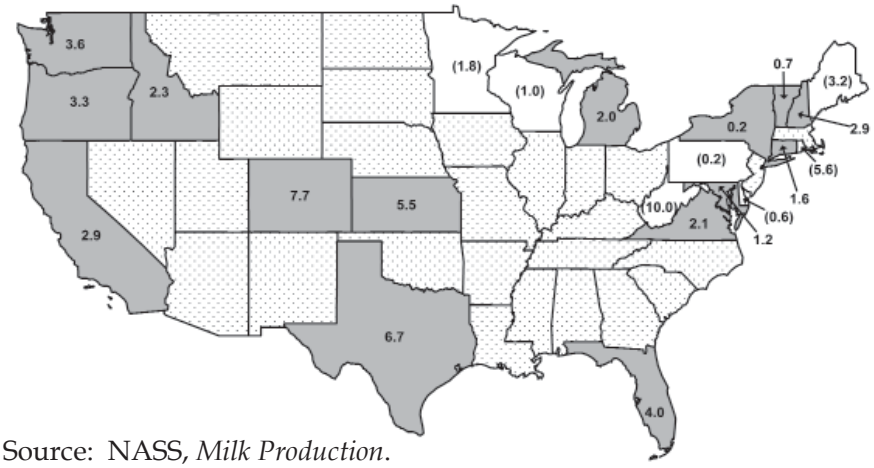
Class Price Factors

	2014	2013
	$/cwt	
Class I	26.27	22.16
Class II	24.41	19.22
Class III	21.60	17.38
Class IV	23.78	18.90

Pooled Milk vs. Milk Production

During the first 6 months of 2014, total pooled milk receipts on the Northeast Order decreased a 0.6 percent from the same period in 2013. Comparatively, milk production in the Northeast states rose a slight 0.1 percent.

January–June 2014 Milk Production in Selected States (Year-to-Year Percent Change)



Source: NASS, *Milk Production*.

National Production

The accompanying map shows year-to-year changes in milk production for the first 6 months of 2014 compared to the same months in 2013 for selected states. Overall, U.S. milk production is up 1.3 percent for the period. The top 23 states (as reported by the National Agricultural Statistics Service) in total report an increase of 1.4 percent, the same as the top ten states in total. Of the top producing states, most of the growth is in the western part of the country. Colorado reported the greatest increase for the first 6 months—7.7 percent, followed by Texas with 6.7 percent and Kansas with 5.5 percent. In the Upper Midwest, Minnesota, and Wisconsin reported declines, while Michigan reported an increase.

Pooled Receipts

Pooled milk on the Order during the first 6 months of 2014 showed year-over-year increases in January and June, but declines for the other 4 months resulting in an overall drop of 0.6 percent. Adding in July, which also was above 2013, equates to an increase of 0.2 percent in total pooled receipts for the first 7 months. Pooling does not necessarily reflect production as movements on and off the Order occur. Production in the Northeast region's typical milkshed states was up a slight 0.1 percent for the January-June period. New York and Vermont showed slight increases. Decreases occurred in Maine, Rhode Island, Pennsylvania, Delaware, and West Virginia. There was no change in production in Massachusetts and New Jersey.

July's total pooled volume had the largest year-over-year increase since August 2013. Nationally, milk production has been increasing when comparing year-to-year changes for the first 6 months of 2014. During the first months of 2014, cold weather impeded milk production in the Northeast states. Analysts in the Northeast predict that the higher milk prices, better growing conditions, and lower feed costs will encourage further growth in production. As a result, total pooled receipts on the Order are likely to grow as well. Annual pooled volume is estimated to be about 1.8 percent higher than last year.❖

Shipping Percentages Changed for Fall Months

In June, 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 15 percent for the months listed. This is the second consecutive year that a reduction has been requested.

Cited in the request were 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.

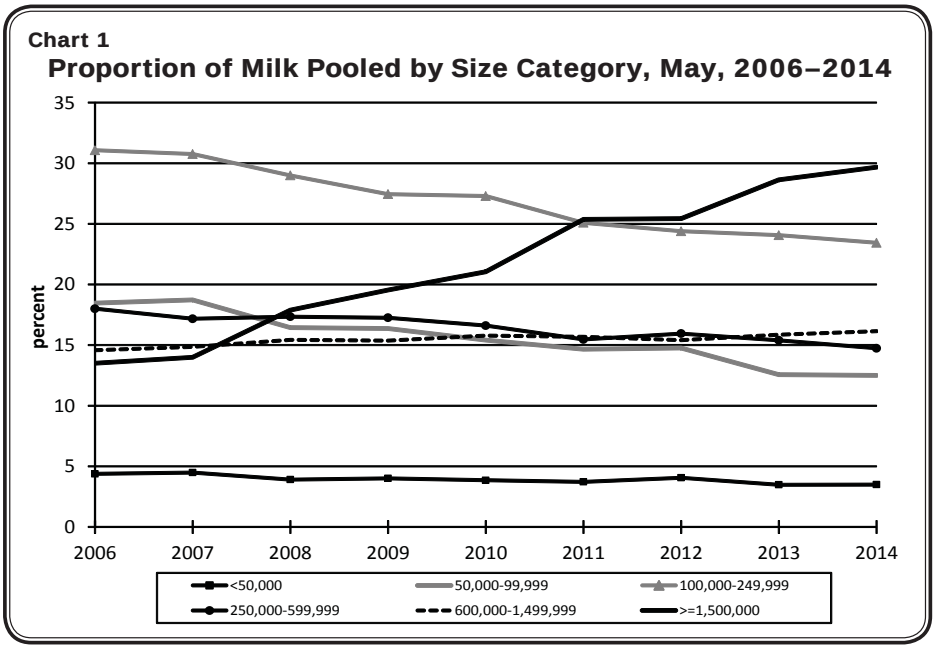
Following receipt of the request, the Market Administrator's office sent a letter to pool handlers inviting them to submit comments, data, or views regarding the request. The office reviewed the comments received and conducted an analysis of milk volumes pooled on the Order and milk utilization. Pool volumes for 2014 have been strong, while Class I sales have continued to decline. For the first time since the Order's inception, the June Class I utilization accounted for less than one-third of the total pool volume. Class IV volume, typically considered a balancing class, has been the highest each of the respective months from January through May 2014, and June set a record high. In addition, two long operating, significant volume plants pooled on the Order closed since last year's decision to lower the shipping percentage.

After reviewing the data and comments, the Market Administrator's office, as permitted by Section 1001.7(g) of the Northeast Order, decided that the shipping percentage will be reduced from 20 to 15 percent for the months of September, October, and November, but limited to 2014. For additional information, copies of the request, comments, and the decision, see the links on our webpage at www.fmmone.com.❖

Number of "Large Farms" Increase

Producing more food with fewer farms is not a new story, and Northeast Order data show that trend continues in the Northeast. Based on verified payroll data, when comparing the number of farms pooled on the Northeast Order in May 2006 (13,808 farms) to May 2014 (11,553 farms), a span of 9 years, that figure has dropped by roughly 16 percent. For the same period, the milk pooled on the order by these respective farms increased by 8 percent. Of course, the implication of the trend is that, overall, more milk is being pooled by larger farms.

Chart 1



Portion of Total Pool by Farm Size

Using data from May for each year from 2006 to 2014, farms were grouped into 6 size categories, from the smallest farm category (less than 50,000 pounds per month) to the largest farm category (at least 1.5 million pounds per month). Chart 1 presents the portion of total milk pooled on the Northeast Order by each farm size category for the month of May from 2006 to 2014. Notable is the increase in the portion pooled by the largest category. This group of farms pooled 13.5 percent of the total Northeast volume in 2006, which ranked second lowest at that time, by portion pooled, of the 6 size categories. By 2014, this group pools the largest portion and almost 30 percent of the total Northeast volume. The only other group to grow by proportion pooled was the second largest farm size group (600,000 to fewer than 1.5 million pounds per month), but their proportion grew by just 1.6 percentage points since 2006. What was once the group that accounted for the largest portion of Northeast volume, farms producing 100,000 to 249,999 pounds per month, dropped from 31.1 percent of the total volume to 23.4 percent.

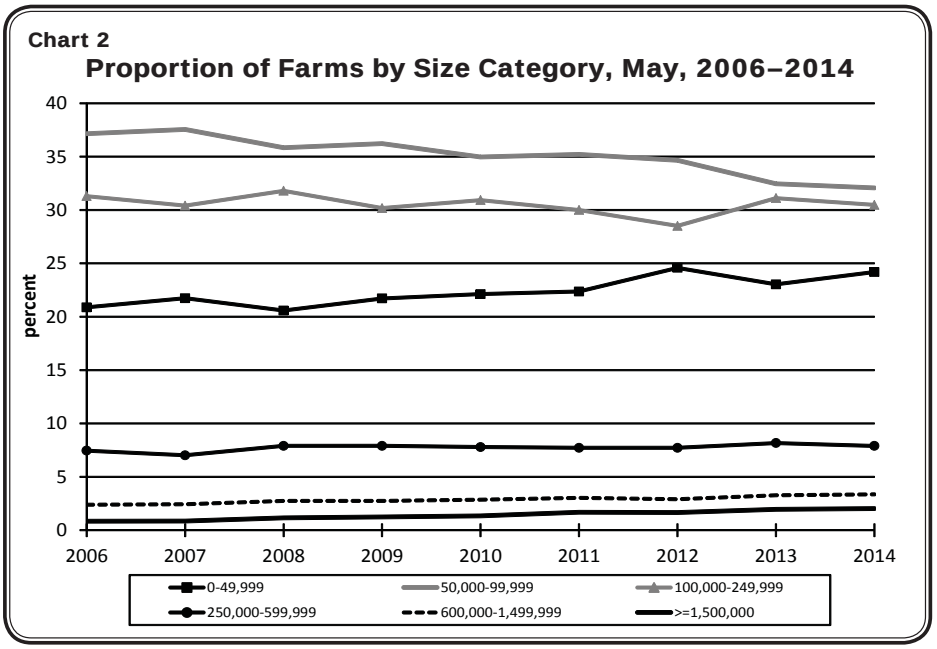
Portion of Farms by Size

Chart 2 presents the proportion of farms by size category. Even though the total number of farms in the under 50,000 pounds a month size has declined since 2006 (down 3.1 percent), their portion of all farms has increased from about 21 to 24 percent. In fact, within that smallest farm category, farms pooling less than 20,000 pounds a month grew in number by 50 percent. Farms pooling between 50,000 and 100,000 pounds per month declined the most, by 27.8 percent, and their portion of all farms pooling on the Order declined 5.1 percent. Farms pooling more than 1.5 million pounds grew in number from 116 in 2006 to 233 in 2014, an over 100 percent increase. They represent 2 percent of all producers pooling on the Order in May 2014.

Large Farms by State

Of the 233 farms pooling over 1.5 million pounds a month on the Order in May 2014, 152, or 65 percent, are in New York. Vermont had 35 of these farms, while Pennsylvania had 32. As a proportion of milk pooled by state, these large farms pooled 45 percent of the milk from New York. They represented 38 percent of the milk pooled from Vermont, but just 11 percent of Pennsylvania's pooled milk.❖

Chart 2



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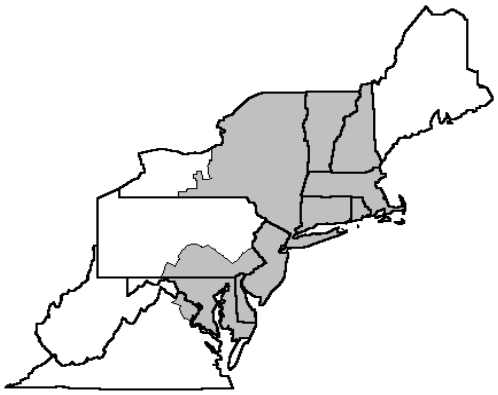
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	707,363,620	$18.26	129,164,597.01	
Butterfat	14,456,148	2.4702	35,709,576.79	
Less: Location Adjustment to Handlers			(2,474,101.02)	$162,400,072.76
Class II— Butterfat	31,668,124	2.6419	83,664,016.81	
Nonfat Solids	46,960,601	1.7456	81,974,425.09	165,638,441.90
Class III– Butterfat	23,660,670	2.6349	62,343,499.42	
Protein	17,378,841	3.1798	55,261,238.67	
Other Solids	33,595,294	0.5046	16,952,185.40	134,556,923.49
Class IV– Butterfat	10,519,867	2.6349	27,718,797.55	
Nonfat Solids	31,234,895	1.6770	52,380,918.93	80,099,716.48
Total Classified Value				**$542,695,154.63**
Add: Overage—All Classes				13,932.05
Inventory Reclassification—All Classes				102,353.01
Other Source Receipts	3,728,644 Pounds			185,989.20
Total Pool Value				**$542,997,428.89**
Less: Producer Component Valuations @ Class III Component Prices				(484,913,494.08)
Total PPD Value Before Adjustments				**$58,083,934.81**
Add: Location Adjustment to Producers				11,864,091.49
One-half Unobligated Balance—Producer Settlement Fund				794,263.86
Less: Producer Settlement Fund—Reserve				(893,626.73)
Total Pool Milk & PPD Value	2,217,417,886 Producer pounds			**$69,848,663.43**
Producer Price Differential		**$3.15**		
Statistical Uniform Price		**$24.75**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

August 2014 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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e-mail address: MAAlbany@fedmilk1.com; *Alexandria, VA*: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com;
website address: www.fmmone.com

August Pool Price Calculation

The August 2014 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $25.41 per hundredweight (cwt) 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 $26.04 per cwt. The August statistical uniform price was 66 cents per cwt above the July price. The August producer price differential (PPD) at Suffolk County was $3.16 per cwt, an increase of 1 cent per cwt from last month.

Product Prices Effect

During August, product prices for butter and cheese increased while nonfat dry milk dropped and dry whey declined slightly. The butter price jumped over 17 cents per pound and the cheese price rose nearly 6 cents per pound. This resulted in a nearly 21-cent higher August butterfat price, but a 3-cent lower protein price. The nonfat solids price dropped over 7 cents per pound and the other solids price declined slightly. All class prices increased from the previous month: the Class I price was up 85 cents per cwt; the Class II price rose 93 cents; the Class III price increased 65 cents per cwt; and the Class IV price grew 11 cents from the prior month. With the increase in class prices, the SUP rose. Since the spread between the higher class prices and the lowest (Class III) was similar to last month, the PPD was nearly the same as in July.

Records Set

The total volume of producer receipts and the average daily deliveries per producer (DDP) both set records as the largest ever for the month of August. Class I volume was the lowest ever for the month of August. Combined with the significant total volume, the Class I utilization percentage was the lowest ever for the month of August. Class IV was the highest volume ever for August.

The SUP was the highest ever for the month of August and the second highest for the Order. All class prices were the highest for the month of August. Both the Class II and IV prices set record-highs for the Order while the Class I price was the second highest ever. Both the producer butterfat and protein tests set record-highs for the month of August.❖

Pool Summary

- A total of 12,039 producers were pooled under the Order with an average daily delivery per producer of 5,857 pounds.
- Pooled milk receipts totaled 2.186 billion pounds, a decrease of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 33.5 percent of total milk receipts, an increase of 0.9 percentage points from July.
- The average butterfat test of producer receipts was 3.69 percent.
- The average true protein test of producer receipts was 3.02 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	33.5	731,444,686
Class II	25.2	551,073,550
Class III	27.3	596,444,458
Class IV	14.0	307,082,136
Total Pooled Milk		2,186,044,830

Producer Component Prices

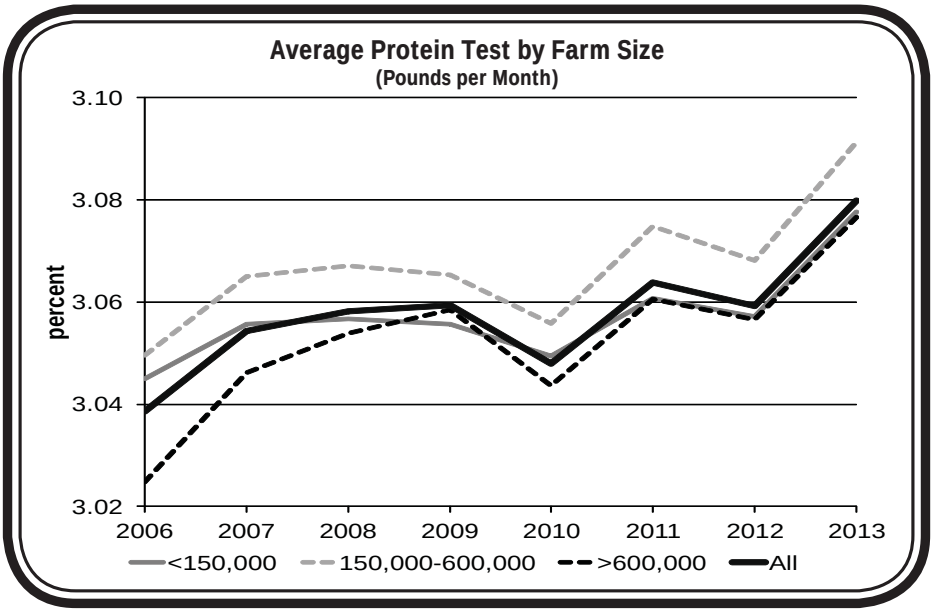
	2014	2013
	$/lb	
Protein Price	3.1496	3.4775
Butterfat Price	2.8448	1.5104
Other Solids Price	0.5036	0.3901

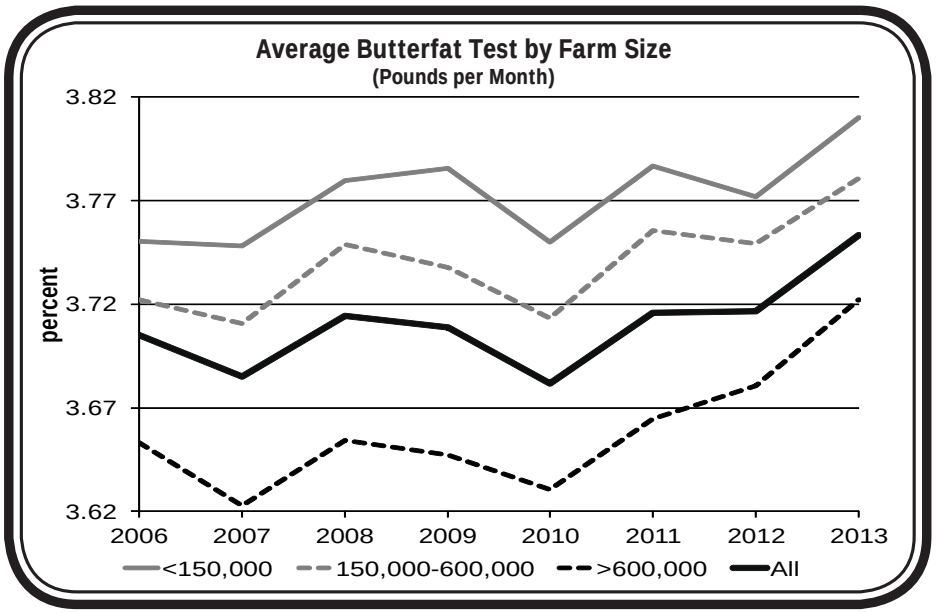
Class Price Factors

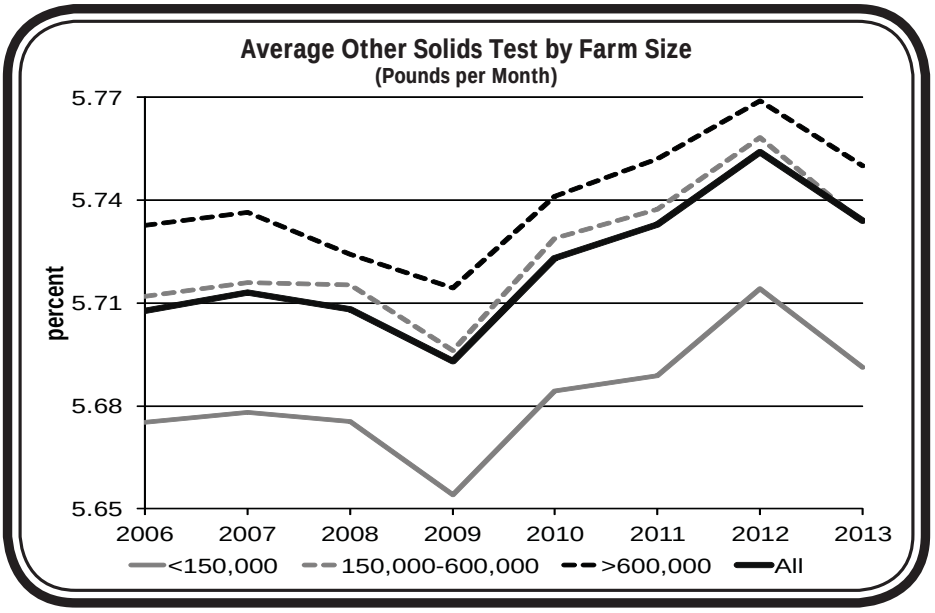
	2014	2013
	$/cwt	
Class I	27.12	22.13
Class II	25.34	19.27
Class III	22.25	17.91
Class IV	23.89	19.07

Component Test Levels by Farm Size

The Northeast Order is one of 6 federal orders that have used multiple component pricing since 2000, in which producers' pay price, simply stated, is determined by the quantity of each component times the corresponding price of the component, plus the total volume of milk times the producer price differential associated with the plant location at which the milk was received. Based on average tests completed during the monthly uniform price calculation, protein, butterfat, and other solids test levels of producer receipts all have increased since 2000. Record level average tests for the uniform price calculation are regularly set for all three components, with a greater degree of increases during the most recent years. With the exception of butterfat in October 2007, any record low averages of components for the pool occurred in 2005 or earlier.







Though Levels Vary by Farm Size, Increases Across All

When looking at component level data by different farm size categories, there appear to be fairly consistent differences in the level of components. However, the upward trend in levels has occurred similarly across all sizes. Verified payroll data from 2006 through 2013 were used to look at weighted average annual test levels broken out by three farm size categories based on pounds per month pooled: below 150,000; between 150,000 and 600,000; and above 600,000. For reference, a farm producing 150,000 pounds of milk per month roughly equates to an 80-cow dairy; a 600,000 pound production farm roughly equates to a 325-cow dairy. The accompanying charts present the resulting averages for each component, from 2006 through 2013, for the three size categories, including the average for all producers.

Difference in Levels

The results indicate that small differences do exist in the average

(continued on page 3)

Component Tests *(continued from page 2)*

component levels by farm size. The smallest size category tends to produce the highest levels of butterfat, while the largest size farms produce the lowest butterfat of the three categories. Farms in the largest size category tend to produce lower levels of protein on average than the other two categories as well, but the gap has been narrowing. Protein test average was highest in the middle farm size category. The largest size farms average the highest tests of other solids, on average, while smallest size farms average the least of the three categories. Differences may be attributable to herd and business characteristics that are not investigated here.

Similarities in Trends

Though there are some differences across sizes, all three categories exhibit increasing levels of components over this time period and for the most part, increase and decrease alike from year to year. There are two implications of this. The first is that regardless of reason different size farms have different levels of average tests, they all seem to be impacted by year-to-year impacts of prices, economics, and weather and feed conditions, among other things, in similar fashion. Secondly, as record-high levels of components are being set during pool, as mentioned earlier, it appears that all size groups are contributing to those results.❖

Market Update: Butter Hits Record High

On Friday, September 12, the price for Grade AA butter hit $3.00 for the first time ever on the Chicago Mercantile Exchange (CME). On September 17 (at time of publication), it closed even higher, at $3.01 per pound. The accompanying chart shows CME butter prices from January 3, 2000, to September 17, 2014.

Butter prices have been on a fairly steady climb since late August 2013 when the price was $1.36 per pound. Domestic demand for butter has been strong and stocks are lower than a year ago. Even though exports have been higher year to date, they have declined during the summer months and with U.S. prices outpacing world prices, they likely will continue to decline. Even so, exports are projected to end above last year.

Butter's Effect on Pay Prices

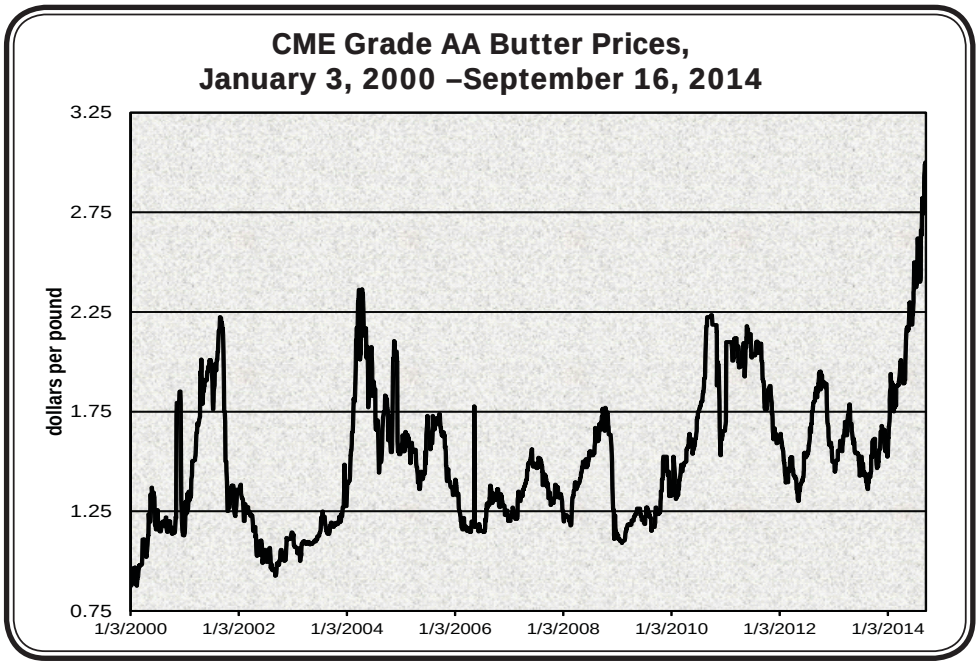
Producer pay prices use the National Dairy Products Sales Reports (NDPSR) announced prices in their formulas, not the CME prices, but the NDPSR prices follow the CME prices closely. The butter prices translate into producers' butterfat component prices and factor into all of the class prices. Butter has been a main driving factor for the past several months as its price rose while the nonfat dry milk (NFDM) price fell after peaking in December 2013. Butter and NDFM are the main components of the Class IV price, which has been higher than the Class III price in all but one month so far in 2014. In addition, the higher of the Class III and IV skim milk pricing factors drives the Class I price.

Other CME Commodity Prices

Barrel cheese prices also have been at record high levels, closing at $2.4225 on September 17. Block Cheddar prices have been near record at $2.4150 per pound; the highest level was in late March at $2.4325. On the CME, futures prices indicate the market expects butter and cheese prices to drop below $2.00 per pound by January. In addition, prices for NFDM and dry whey are expected to decline.

Prices May Decline by Year End

Based on CME futures dated September 17, Northeast Order statistical uniform prices at Boston are expected to peak in September at about $25.88 per hundredweight (cwt). For October through December, the price is projected to decline, on average, about $1.30 each month, ending the year at about $21.93 per cwt. Based on these predictions, the annual average blend price would be about $24.56 per cwt, the highest on record. This is about $4.00 above last year's $20.25 and the previous record-high, $20.64 in 2011.❖



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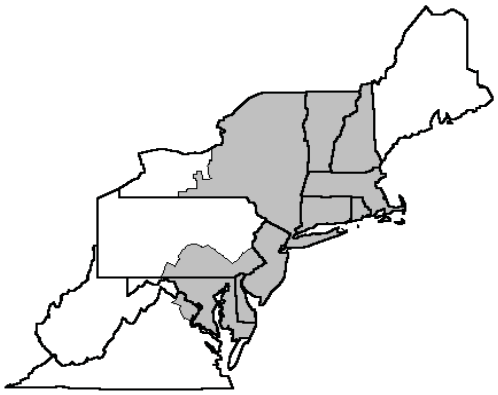
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	716,641,310	$18.47	132,363,649.96	
Butterfat	14,803,376	2.6560	39,317,766.66	
Less: Location Adjustment to Handlers			(2,485,734.06)	$169,195,682.59
Class II— Butterfat	31,068,363	2.8518	88,600,757.63	
Nonfat Solids	47,296,730	1.7689	83,663,185.70	172,263,943.33
Class III– Butterfat	25,276,301	2.8448	71,906,021.07	
Protein	17,954,330	3.1496	56,548,957.78	
Other Solids	34,159,774	0.5036	17,202,862.15	145,657,841.00
Class IV– Butterfat	9,455,332	2.8448	26,898,528.45	
Nonfat Solids	27,054,619	1.6047	43,414,547.06	70,313,075.51
Total Classified Value				**$557,430,542.43**
Add: Overage—All Classes				7,608.32
Inventory Reclassification—All Classes				192,845.01
Other Source Receipts	434,920 Pounds			23,254.78
Total Pool Value				**$557,654,250.54**
Less: Producer Component Valuations @ Class III Component Prices				(500,224,147.58)
Total PPD Value Before Adjustments				**$57,430,102.96**
Add: Location Adjustment to Producers				11,833,799.81
One-half Unobligated Balance—Producer Settlement Fund				840,641.43
Less: Producer Settlement Fund—Reserve				(1,011,784.10)
Total Pool Milk & PPD Value	2,186,479,750 Producer pounds			**$69,092,760.10**
Producer Price Differential		**$3.16**		
Statistical Uniform Price		**$25.41**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

September 2014 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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website address: www.fmmone.com

September Pool Price Calculation

The September 2014 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $26.16 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 $27.20 per hundredweight. The September statistical uniform price was 75 cents per hundredweight above the August price. The September producer price differential (PPD) at Suffolk County was $1.56 per hundredweight, a decrease of $1.60 per hundredweight from last month.

Product Prices Effect

Similar to August, September product prices for butter and cheese increased while nonfat dry milk dropped and dry whey declined slightly. The butter price jumped over 33 cents per pound and the cheese price rose nearly 24 cents per pound. This resulted in a record-setting September butterfat price, and an almost 35-cent higher protein price. The nonfat dry milk decline of about 32 cents equated to a drop of nearly 50 cents in the nonfat solids price. The Class I price was 24 cents less than the previous month; the Class II price rose 77 cents higher; Class III jumped $2.35 higher; and Class IV was down $1.31 per hundredweight. With over 62 percent of total producer milk utilized in the higher-priced classes, the SUP rose to a record-setting level. Since the spread between the higher two class prices and the Class III price tightened, the PPD declined.

Records Set

For the first time under the Order, the total volume of producer milk receipts for the month of September was over 2 billion pounds. Class I volume was the lowest ever for the month of September, while Class IV was the highest ever for the month.

The SUP was the highest ever for the Order and the first time it was over $26.00 per hundredweight. All class prices were the highest for the month of September; the Class II and III prices set record-highs for the Order. Both the producer butterfat and other solids tests tied with record-highs set for the month of September.❖

Pool Summary

- A total of 12,116 producers were pooled under the Order with an average daily delivery per producer of 5,700 pounds.
- Pooled milk receipts totaled 2.072 billion pounds, a decrease of 2.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 36.7 percent of total milk receipts, an increase of 3.2 percentage points from August.
- The average butterfat test of producer receipts was 3.73 percent.
- The average true protein test of producer receipts was 3.06 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	36.7	760,224,266
Class II	26.0	537,813,265
Class III	24.9	515,707,211
Class IV	12.4	258,066,004
Total Pooled Milk		2,071,810,746

Producer Component Prices

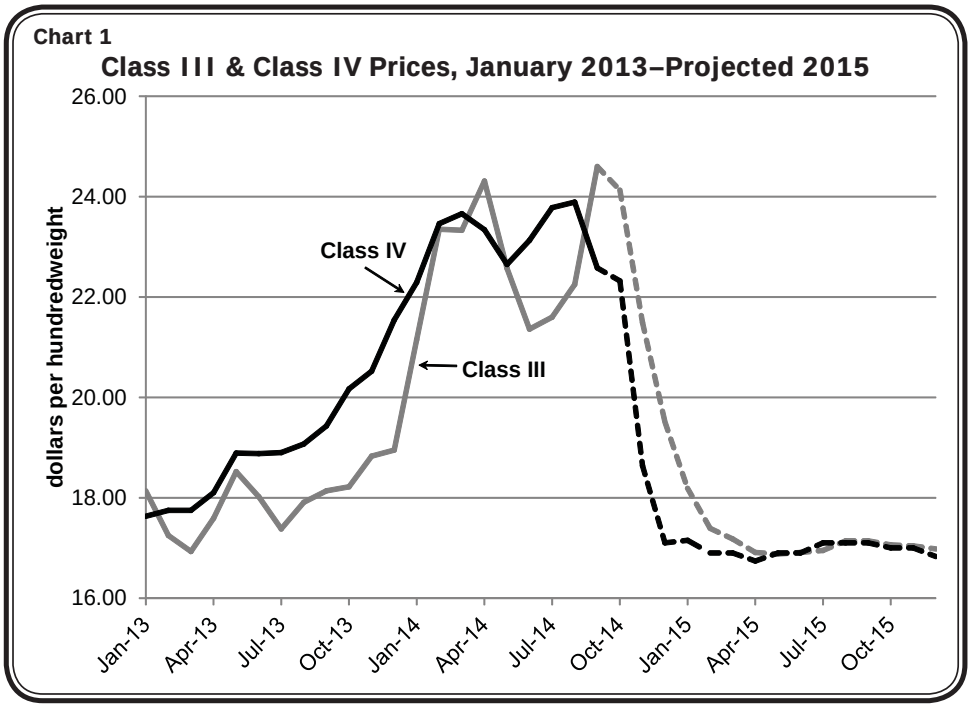
	2014	2013
	$/lb	
Protein Price	3.4991	3.5419
Butterfat Price	3.2467	1.5196
Other Solids Price	0.4876	0.3914

Class Price Factors

	2014	2013
	$/cwt	
Class I	26.88	22.41
Class II	26.11	19.78
Class III	24.60	18.14
Class IV	22.58	19.43

Class III Price Above Class IV, Declines Expected

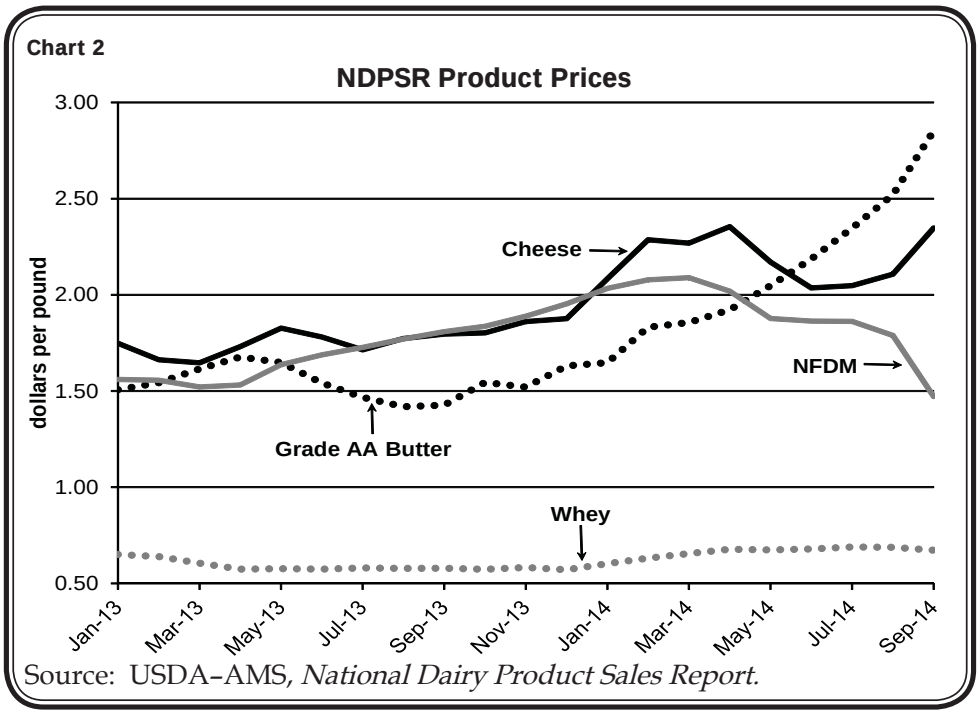
September 2014 marks just the second time since January 2013 that the Class III price exceeded the Class IV price. The other instance occurred in April 2014, five months ago. Class III and Class IV prices since January 2013 and projected, using futures prices from the Chicago Mercantile Exchange (CME), through 2015 are shown in Chart 1.



The Class III price surpassed the Class IV price level primarily due to strengthening cheese prices that returned to the near $2.35 per pound level they were at in April of this year and, in turn, helped push the Class III price to $24.60 per hundredweight (cwt). April 2014 was the only other time the Class III price topped $24.00. At the same time, the Class IV price dropped to its lowest level since April 2014. The Class IV price decline followed downward trending nonfat dry milk prices, but was muted by a simultaneous dramatic increase in butter prices. Nonfat dry milk and butter are the two commodities that establish the Class IV price level in federal order class price formulas. Product prices since January 2013 are presented in Chart 2.

Looking Towards 2015

Looking ahead, we use CME commodity futures prices as settled on October 15, 2014. CME prices track fairly close to Agricultural Marketing Service National Dairy Product Sales Report (NDPSR) prices, so the use of CME futures prices can be a reasonable estimate of where those prices are expected to head into 2015 in light of current market factors. Doing this would indicate that the Class III price is expected to be higher than the Class IV price in 13 of the next 15 months. However, the projected difference between the two classes is very small, averaging just 10 cents from March to December, 2015. Long range forecasts can include a great deal of uncertainty, and the narrow gap between these prices may be, to a degree, a reflection of this. Class III and Class IV prices are projected to average roughly $22.50 per cwt and $22.25 per cwt, respectively, for 2014. In 2015, Class III and Class IV prices both project to average roughly $17.00 per cwt, using current market information.



Source: USDA–AMS, *National Dairy Product Sales Report.*

Market Factors Pressuring Prices Downward

A number of factors are expected to push commodity and milk prices lower. U.S. prices of butter, cheese, and nonfat dry milk have remained above world prices for those commodities. World prices declined in large part due to improved milk production in other major milk exporting countries.

(continued on page 3)

Class Utilization Changes from Last Year and Five Years Ago

For the first 9 months of 2014, utilization of milk products and cream by pool plants was slightly higher than the same period in 2013. Compared to the same period in 2009, utilization grew 8.2 percent. These comparisons include sales to nonpool manufacturing plants, inventory, shrinkage, milk used to fortify Class I, overages, and interhander differences.

Class I usage decreased 3.7 percent during the first 9 months compared to last year; this was a drop of 10.5 percent from 5 years ago. Whole milk was slightly above last year, but down nearly 11 percent from 2009. Declines occurred in all categories except organic milk that rose 11.4 percent from last year. Compared to 2009, organic is up 30 percent.

The percentage of producer milk receipts (used in calculating uniform price) assigned to Class I has continuously declined on a year-to-year basis for nearly every month since 2011. Class I volume for September was above August due to seasonality as schools are back in session, but it was still the smallest volume ever for the month of September.

Class II utilization dropped 5.8 percent from 2013, but was up 29.4 percent over 2009. Compared to 2013, milk used in yogurt has declined 20.1 percent, but this volume is up nearly 377 percent from 2009. Class II usage rose significantly beginning in 2010 with the growth of Greek-style yogurt. Even though this type of yogurt continues to be popular and operations have sprung up around the country, its need for milk in the Northeast Order seems to have peaked about a year ago and, has since, tapered off.

Class III usage rose 5.1 percent from 2013 and 19.8 percent from 2009 with increases in American, Italian-type, and cream cheeses in both periods. The category that includes Swiss and other-type cheeses (Hispanic, Feta, and other non-Italian ethnic cheeses) declined 3.6 percent from 2013, but was up 29.8 percent from 2009.

Class IV utilization increased 15.1 percent from 2013 and 16.7 percent from 2009. Butter decreased 4.8 percent from 2013, but was up 25.9 percent from 2009. Dried products rose 24.5 and 31.7 percent from 2013 and 2009, respectively. Typically, Class IV is seen as a balancing, or surplus class, but in the future, the manufacture of items such as value-added powders may create a higher and consistent need for milk.

The percentage of producer pooled volume assigned to Class IV has been at record-setting levels for the past 4 months. The September volume was 57.5 percent higher than the next highest level set in 2008.❖

Class III *(continued from page 2)*

Analysts predict the difference in world and U.S. prices is unsustainable and expect U.S. prices to adjust downward. Exports, though still strong, have been less robust with butter and dry whey exports below year ago levels. In addition, strong margins for U.S. producers are expected to encourage higher milk production and, consequently, larger volumes of milk products.❖

Pool Summary for All Federal Orders, January–September, 2013–2014

Federal Order		Total Producer Milk			Producer Price Differential#		Statistical Uniform Price#*	
Number	Name	2013	2014	Change^	2013	2014	2013	2014
		pounds		percent	dollars per hundredweight			
1	**Northeast**	**19,237,138,240**	**19,392,019,423**	**0.8**	**2.12**	**2.13**	**19.89**	**24.86**
5	Appalachian	4,346,497,769	4,195,382,536	(3.5)	N/A	N/A	20.92	25.98
6	Florida	2,112,926,573	2,069,639,783	(2.0)	N/A	N/A	23.10	28.10
7	Southeast	4,700,821,221	4,014,896,231	(14.6)	N/A	N/A	21.30	26.47
30	Upper Midwest	25,877,733,689	25,219,942,061	(2.5)	0.29	0.28	18.05	23.00
32	Central	11,397,576,782	11,487,888,775	0.8	0.78	0.67	18.54	23.40
33	Mideast	12,800,288,312	12,762,284,403	(0.3)	1.12	1.02	18.88	23.74
124	Pacific Northwest	6,245,455,255	6,229,097,392	(0.3)	0.76	0.61	18.53	23.33
126	Southwest	9,827,855,115	9,476,559,201	(3.6)	1.60	1.43	19.36	24.16
131	Arizona	3,488,424,233	3,652,357,474	4.7	N/A	N/A	19.00	23.88
	All Market Total/Average	100,034,717,189	98,500,067,279	(1.5)	1.11	1.02	19.76	24.69

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable. ^ Adjusted for leap year.

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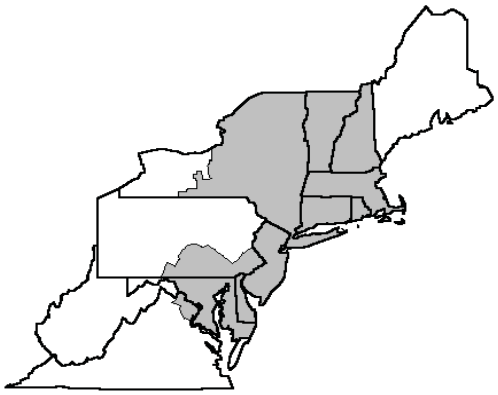
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	745,370,691	$17.81	132,750,520.07	
Butterfat	14,853,575	2.7698	41,141,432.04	
Less: Location Adjustment to Handlers			(2,579,884.72)	$171,312,067.40
Class II— Butterfat	29,640,653	3.2537	96,441,792.67	
Nonfat Solids	46,414,784	1.6956	78,700,907.77	175,142,700.44
Class III– Butterfat	22,289,514	3.2467	72,367,365.10	
Protein	15,764,816	3.4991	55,162,667.67	
Other Solids	29,416,267	0.4876	14,343,371.81	141,873,404.58
Class IV– Butterfat	10,551,298	3.2467	34,256,899.21	
Nonfat Solids	22,602,476	1.2910	29,179,796.54	63,436,695.75
Total Classified Value				**$551,764,868.17**
Add: Overage—All Classes				71,841.14
Inventory Reclassification—All Classes				622,611.16
Other Source Receipts	787,950 Pounds			29,172.59
Total Pool Value				**$552,488,493.06**
Less: Producer Component Valuations @ Class III Component Prices				(531,108,732.91)
Total PPD Value Before Adjustments				**$21,379,760.15**
Add: Location Adjustment to Producers				11,086,807.72
One-half Unobligated Balance—Producer Settlement Fund				809,327.69
Less: Producer Settlement Fund—Reserve				(943,355.94)
Total Pool Milk & PPD Value	2,072,598,696 Producer pounds			**$32,332,539.62**
Producer Price Differential		**$1.56**		
Statistical Uniform Price		**$26.16**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2014 Federal Order No. 1

To contact the Northeast Marketing Area offices:
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October Pool Price Calculation

The October 2014 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $24.35 per hundredweight (cwt) 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 $25.71 per cwt. The October statistical uniform price was $1.81per cwt below the September price. The October producer price differential (PPD) at Suffolk County was $0.53 per cwt, a decrease of $1.03 per cwt from last month.

Product Prices Effect

After peaking in mid-September, butter prices tumbled resulting in a nearly 33-cent drop in the average price for October. Cheese and dry whey prices also declined while the nonfat dry milk price rose slightly. These changes resulted in lower component prices for butterfat and other solids and a slight increase in the nonfat solids price. The protein price increased nearly 24 cents due to the lower butterfat price. The Class I price, based on the higher butter and cheese prices in September, was 56 cents higher than the previous month. The Class II price dropped $4.18; Class III declined 78 cents; and Class IV fell $1.23 per cwt. With over 62 percent of total producer milk utilized in the lower-priced classes, the SUP declined. The PPD decreased due to lower overall value in the pool generated from Classes I, II, and IV when compared to Class III. Producers in the $2.70 differential zone and further out (compared to the Boston, MA, base zone) will see negative PPD values in their checks (see article on page 2).

Records Set

The total volume of producer receipts was the largest ever for the month of October. The Class I volume was the lowest ever, while the Class IV volume was the highest ever for the month. Even though all class prices except the Class I price declined, they were all the highest ever for the month of October, including the SUP. The Class I price set a record as the highest ever for the Order. Both the producer butterfat and other solids tests tied with record-highs set for the month of October.❖

Pool Summary

- A total of 12,129 producers were pooled under the Order with an average daily delivery per producer of 5,699 pounds.
- Pooled milk receipts totaled 2.143 billion pounds, an increase of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 37.9 percent of total milk receipts, an increase of 1.2 percentage points from September.
- The average butterfat test of producer receipts was 3.81percent.
- The average true protein test of producer receipts was 3.11 percent.
- The average other solids test of producer receipts was 5.73 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	37.9	811,049,041
Class II	24.0	513,728,416
Class III	24.1	517,333,682
Class IV	14.0	300,625,650
Total Pooled Milk		2,142,736,789

Producer Component Prices

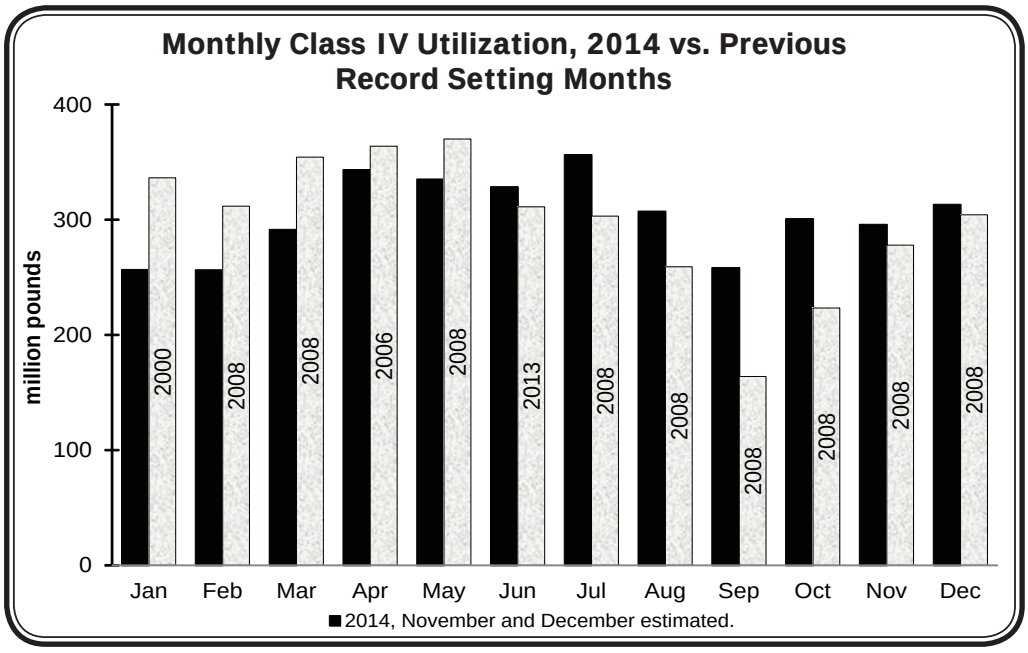
	2014	2013
	$/lb	
Protein Price	3.7362	3.4107
Butterfat Price	2.8507	1.6638
Other Solids Price	0.4670	0.3852

Class Price Factors

	2014	2013
	$/cwt	
Class I	27.44	22.45
Class II	21.93	20.56
Class III	23.82	18.22
Class IV	21.35	20.17

Class IV Utilization Continues to Rise

Last month's *Bulletin* compared changes in class utilization for the current year with last year and 5 years ago. This article highlights Class IV utilization.



What Has Changed?

Historically, Class IV was used for balancing and considered to be the surplus class since the manufactured products in this class, mainly butter and dried milk products, were the most storable. In recent years, there seems to be more consistency in the volume of dried products manufactured, and with such products as value-added powders being added, Class IV may continue to grow as a category and increase in volume.

Class IV utilization for the January through October period in 2014 was 25.7 percent higher than the same period in 2013. A majority of that increase was due to the jump in dried milk products that grew 29.4 percent for the period; butter rose 0.7 percent.

The percentage of producer pooled volume assigned to Class IV has been at record-setting levels for the past 5 months. The October volume was 34.6 percent higher than the next highest level set in 2008, a year following record-setting (at the time) prices that encouraged higher production, which resulted in surplus milk. Using the past 3 year's trend for November and December, Class IV utilization for 2014 is projected to set a new record, topping the previous one of 3.5 billion pounds set in 2008. Due to overall higher receipts predicted for 2014, the average utilization percentage is estimated to be 14.1 percent; the record high was 14.8 percent in 2008. See accompanying chart showing current year and previous record-setting months.

Price Effect

Prices for butter and nonfat dry milk, the two main products in Class IV under the Northeast Order, hit record highs during 2014. Prices for nonfat dry milk topped $2.00 per pound on the Chicago Mercantile Exchange (CME) near the end of 2013 and also in the National Dairy Products Sales Report (NDPSR) at the beginning of 2014; NDPSR prices are used in federal order price calculations. Butter prices topped $3.00 per pound on the CME late September and in the NDPSR early October.

The high value of these products has been a significant factor in setting record high Class IV federal order prices. Each month during 2014 through October, the Class IV price has set a record. These higher prices, combined with the higher Class IV utilization, have contributed to a higher overall blend price. For the January-October period, Class IV has contributed 13.5 percent of the overall value to the pool compared to 12.0 percent for the same period in 2008, the next highest Class IV utilization year. ❖

Negative PPDs

The October 2014 producer price differential (PPD) at the Boston, MA, location was $0.53 per hundredweight (cwt). Milk priced at plants located in differential zones of $2.70 or lower will result in a negative PPD.

The total value of the federal order pool is determined by the respective class prices and the volume of milk utilized in each class. For the month of October, the "classified value" equaled $539,572,393.64. The total value of all producer components (butterfat, protein, and other solids) equaled $539,167,720.62, or only about $400,000 less than the pool classified value (see page 4 for pool computation). Since the payout to producers must equal the value of the milk utilized in the pool, a negative PPD occurs in lower differential zones since a relatively small classified value remains after paying producers for component value. This scenario occurs due to the Class I and Class II skim milk prices being set in advance, based on wholesale market prices that are less than the more current and higher wholesale prices used in the calculation of Class III and IV prices and the component prices paid to producers.

Any class price higher than the Class III price contributes to the pool of money normally returned to producers in a positive PPD. With Class II and IV prices

(continued on page 3)

Changes in Milk: Produced vs. Pooled

There have been significant changes in where milk is produced in the Northeast and where it ends up during the past 5 years.

Production Growth

For the January through September 2014 period, the total volume of pooled milk receipts on the Northeast Order was up 8.4 percent compared to the same period in 2009. Milk production in the Northeast Order milkshed states (New England, DE, MD, NJ, NY, PA, VA, and WV) rose 4.6 percent. Changes in volumes pooled on the Order may not mirror changes in state production volumes due to changes in where the milk is being utilized and pooled. The map in Figure 1 shows the 5-year percentage change for the U.S. and selected states. New York and Vermont show the most growth; Other New England includes CT, MA, ME, NH, and RI.

Pooled Location Changes

During this five-year period, there have been significant changes in where the milk ends up. Historically, a majority of the plants were located in the higher differential zones that correspond to the metropolitan centers with the goal of moving milk to those areas where there was less production but greater need. This has changed in recent years mainly with the growth in yogurt processing in more central locations of the milkshed where differentials are lower.

Figure 2 shows a map of the differential zones and the percent change from 2009 to 2014 for the January-September period in pooled milk moving to these zones. As depicted in the chart, milk moving to plants in the highest zone has declined by over 10 percent. This decrease is due to a combination of less milk moving to Class I operations and the closing of plants located in this zone. The largest increase has been in the $2.40-$2.60 zone mainly due to increased milk usage at yogurt manufacturing plants. The furthest zone, less than $2.40, also had considerable growth with more milk tending to be utilized in manufacturing plants.❖

Figure 1

Percent Change in Pooled Milk Receipts at Selected Differential Zones, January – September, 2009–2014

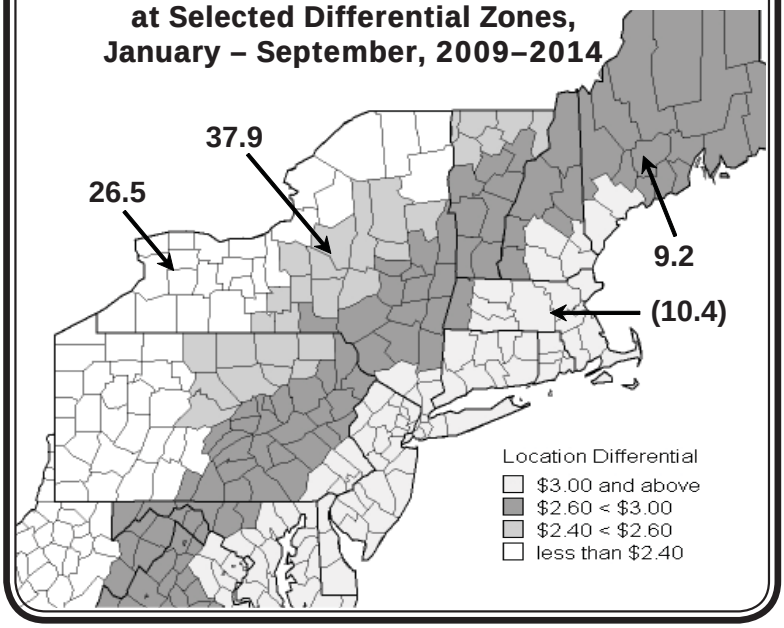
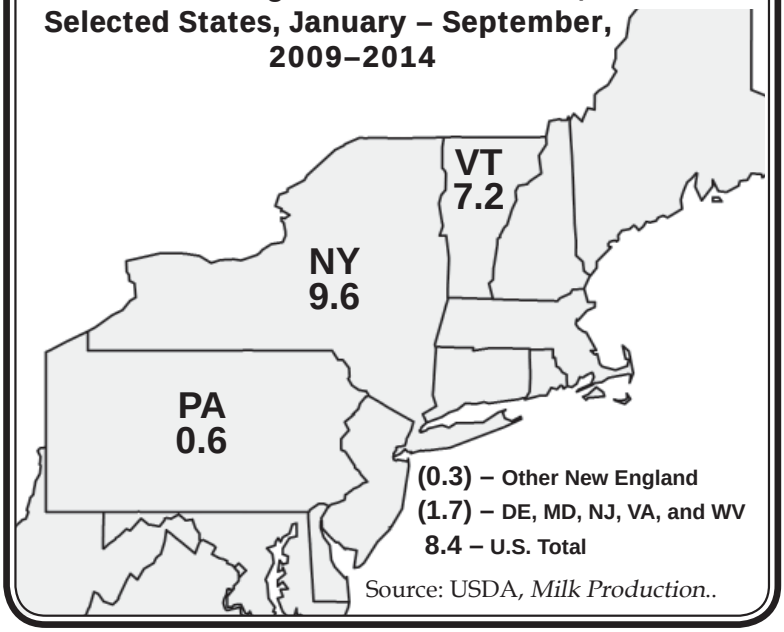


Figure 2

Percent Change in Milk Production, Selected States, January – September, 2009–2014



Source: USDA, *Milk Production.*.

Negative *(continued from page 2)*

significantly below ($1.89 and $2.47 per cwt, respectively) the Class III price, and the sizeable volumes (38 percent) in the combined lower-priced classes, the classified value of the pool was diminished and producers received most of the pool value in their component payments. This was due, in large part, to the strong Class III protein price ($3.7362 per pound).

The SUP for October 2014 set a record for the month at $24.35 per cwt, signifying that a negative PPD does not necessarily reflect a lower price for producers.

Regardless of the level of the PPD, producers who are not members of cooperatives receive an amount represented by the SUP. Of course, each producer's SUP will vary depending on their individual component tests, location of the plant to which their milk was shipped, and other hauling, premiums, and negotiated payments. Cooperative members may receive a different price depending on their cooperative policy.❖

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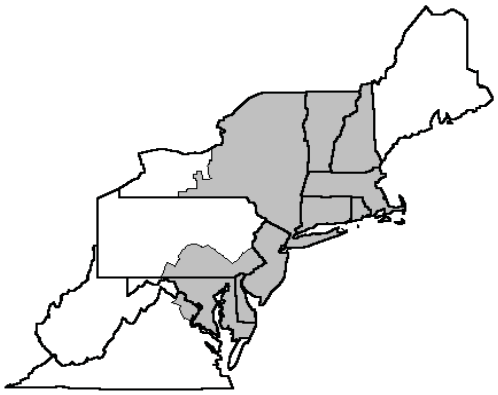
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	794,739,315	$16.92	134,469,892.10	
Butterfat	16,309,726	3.1735	51,758,915.46	
Less: Location Adjustment to Handlers			(2,775,872.55)	$183,452,935.06
Class II— Butterfat	30,306,346	2.8577	86,606,445.00	
Nonfat Solids	44,441,771	1.3733	61,031,884.10	147,638,329.10
Class III– Butterfat	22,836,326	2.8507	65,099,514.57	
Protein	16,030,803	3.7362	59,894,286.18	
Other Solids	29,517,844	0.4670	13,784,833.17	138,778,633.92
Class IV– Butterfat	12,277,029	2.8507	34,998,126.56	
Nonfat Solids	26,512,123	1.3090	34,704,369.00	69,702,495.56
Total Classified Value				**$539,572,393.64**
Add: Overage—All Classes				54,078.57
Inventory Reclassification—All Classes				(465,173.89)
Other Source Receipts	279,436 Pounds			6,422.30
Total Pool Value				**$539,167,720.62**
Less: Producer Component Valuations @ Class III Component Prices				(539,561,771.94)
Total PPD Value Before Adjustments				**($394,051.32)**
Add: Location Adjustment to Producers				11,453,326.00
One-half Unobligated Balance—Producer Settlement Fund				1,275,091.93
Less: Producer Settlement Fund—Reserve				(976,380.69)
Total Pool Milk & PPD Value	2,143,016,225 Producer pounds			**$11,357,985.92**
Producer Price Differential		**$0.53**		
Statistical Uniform Price		**$24.35**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

November 2014 Federal Order No. 1

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November Pool Price Calculation

The November 2014 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 $23.79 per hundredweight. The November statistical uniform price was $2.09 per hundredweight below the October price. The November producer price differential (PPD) at Suffolk County was $0.32 per hundredweight, a decrease of $0.21 per hundredweight from last month.

Product Prices Effect

All commodity product prices declined in November. Butter prices continued their downward spiral, falling nearly 54 cents per pound compared to October. Cheese prices dropped 16 cents, nonfat dry milk fell 10 cents, and dry whey declined about 2 cents, all on a per pound basis. These decreases resulted in lower prices for all components except protein, which rose nearly 16 cents per pound due to the lower butterfat price. The Class I price declined 13 cents per hundredweight, as it was calculated before the considerable declines that occurred in November. The Class II price fell $2.02, Class III was down $1.88, and Class IV dropped $3.14, all on a per hundredweight basis. With continued lower volume in Class I, the SUP fell to its lowest level so far this year. The PPD decreased due to lower overall value in the pool generated from Classes I, II, and IV when compared to Class III that, for the second month in a row, was the second highest class price. Producers in the $2.90 differential zone and further out (compared to the base zone, Boston, MA) will see negative PPD values in their checks.

Records Set

The total volume of producer receipts topped 2 billion pounds, the first time over for the month of November. The Class I volume was the lowest ever for November, while the Class IV volume was the highest ever for the month. The Class I and III prices were the highest ever for the month of November, and even though the SUP declined, it was the second highest ever for the month.❖

Pool Summary

- A total of 12,090 producers were pooled under the Order with an average daily delivery per producer of 5,723 pounds.
- Pooled milk receipts totaled 2.076 billion pounds, an increase of 0.1 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 36.3 percent of total milk receipts, a decrease of 1.6 percentage points from October.
- The average butterfat test of producer receipts was 3.89 percent.
- The average true protein test of producer receipts was 3.16 percent.
- The average other solids test of producer receipts was 5.72 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	36.3	753,625,507
Class II	22.0	457,294,817
Class III	24.8	514,276,804
Class IV	16.9	350,662,066
Total Pooled Milk		2,075,859,194

Producer Component Prices

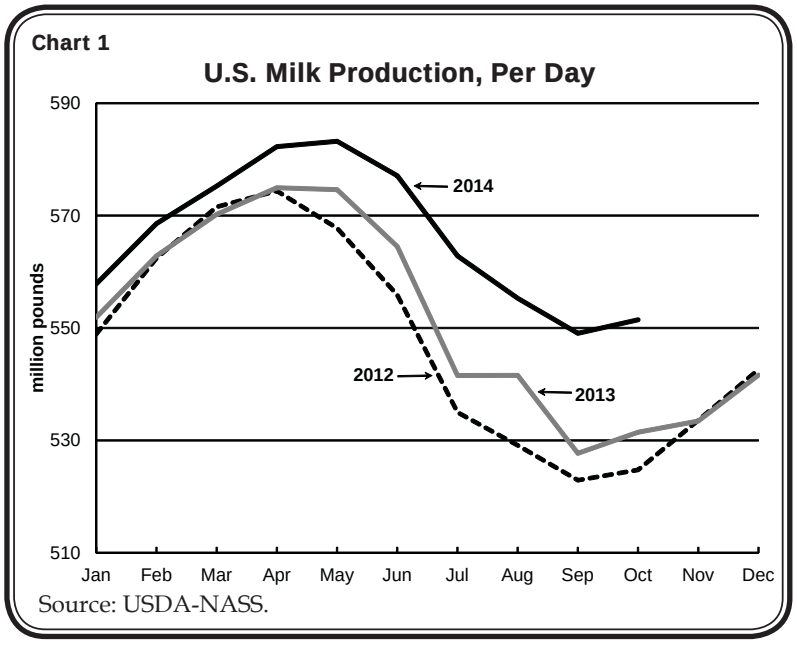
	2014	2013
	$/lb	
Protein Price	3.9018	3.6316
Butterfat Price	2.2011	1.6336
Other Solids Price	0.4505	0.3955

Class Price Factors

	2014	2013
	$/cwt	
Class I	27.31	23.45
Class II	19.91	20.76
Class III	21.94	18.83
Class IV	18.21	20.52

Dairy Outlook Looking Toward 2015

Based on current projections, the uniform price at Boston, MA, will average over $24.00 per hundredweight (cwt) for 2014. This is a roughly 20 percent increase over 2013 and about $3.50 per cwt higher than the previous record high set in 2011. At the same time, the annual average corn price dropped by almost a third from its 2013 level. Record high milk prices, coupled with moderated feed prices, resulted in strong positive margins. We'll take a look at supply and demand factors as we head toward the new year, look at how milk prices and selected input prices have moved with respect to each other, and present a forecast for the milk price in 2015.



Supply Factors

Last year at this time, USDA forecast an all-time high U.S. milk production level. Indeed, the Northeast Order pool volume has set a record high level through 11 months and will likely set a new record high for the year. Strong margins led producers to send fewer cows to slaughter in 2014 than in 2013 and resulted in larger cow numbers. Milk production per cow also strengthened due in large part to a strong growing season, in yield and quality, and decreased feed prices. These forces are resulting in markedly increased overall production as can be seen in Chart 1.

Demand Factors

Exports have been an increasing factor of the demand equation and have played a large role in record-setting milk prices. The U.S. exported 15.7 percent of its milk production, on a total milk solids basis, for the period January through October 2014. This compares with 15.6 percent for the same period a year earlier. As the year progressed, a combination of factors came to negatively bear on the export situation. U.S. dairy product prices were at a premium relative to other foreign suppliers, eroding U.S. competitiveness. Additionally, China's early year overstocked position, coupled with Russia's import embargo, resulted in new demand being outpaced by production increases in the major milk producing regions. Though export volume for the first 10 months of 2014 match the previous year, the October level, at 14.4 percent of total solids, is below October 2013's 16.1 percent, and is indicative of this more recent trend and the current situation.

Relying on export markets means currency exchange rates can impact relative value of U.S. dairy products. Though economic growth in China, Europe, Japan and other areas has been slow to recessionary, U.S. economic growth has been steady (as will be discussed later). The result of this is a stronger U.S. dollar that makes U.S. products more expensive on the global market. U.S. products must either be priced lower to maintain competitiveness or lose market share and have to find a home domestically; both have happened to some degree.

Still, the U.S. Dairy Export Council projects that steady demand growth over time will drive current market recovery and long-term growth, and point to infrastructure investments being made to maintain U.S. advances in export markets.

Domestic Situation

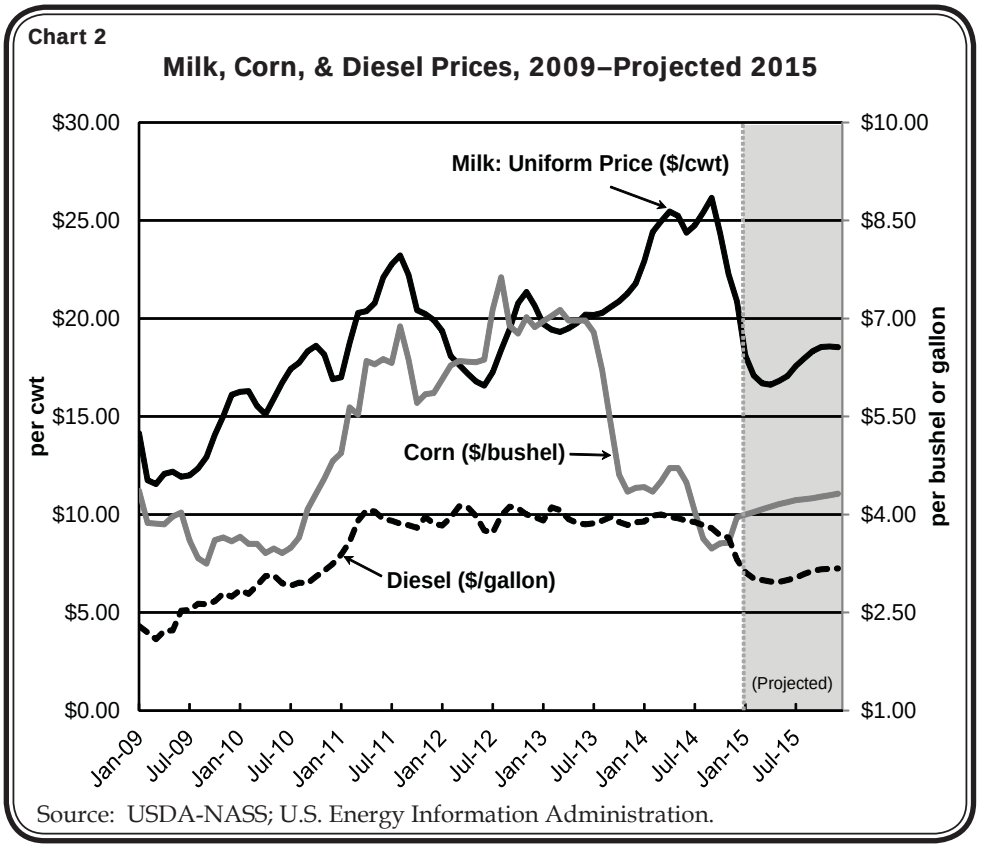
With exports facing some challenges, the domestic market, still the destination of about 85 percent of the milk produced, will be counted on to support prices. We'll touch on a few demand indicators to get a feel for what to expect from the domestic market. The unemployment rate has declined steadily since its high near 10 percent in 2009 to reach below 6 percent by September 2014. In October, the Restaurant Performance Index (that tracks the health and outlook of the U.S. restaurant industry) was above 100 for the 20th consecutive month driven by stronger same-store sales and traffic and a more optimistic outlook among operators. Values above 100 signify expansion in the industry. Restaurant sales are an important outlet for dairy products and so the index is used as an indicator of domestic dairy sales. The Consumer Confidence Index remains below 100, indicating soft demand, but at 88.7 in November, is near levels last reached in 2007. November's index dropped from 94.1 in October, so some additional concern is being expressed by consumers. Most indicators suggest the domestic market will continue to grow steadily in 2015.

(continued on page 3)

Dairy Outlook *(continued from page 2)*

Looking to 2015

The USDA forecasts the U.S. all milk price for 2015 to range between $17.00 and $20.00 per cwt. Using Chicago Mercantile Exchange (CME) futures prices from December 15 for Class III and Class IV milk, the Northeast Order Uniform Price projects to finish 2014 averaging $24.27 per cwt for the year, the highest average annual uniform price ever. Using the same day's CME futures prices, the 2015 Northeast Order uniform price is forecast to average $17.66 per cwt for the year.



Milk Price Declining, But So Are Input Costs

All indications are that milk prices may soften considerably in 2015, declining by nearly 25 percent from 2014 levels. That said, this is a decline from unprecedented price and margin levels. While milk prices decline, so to are the price of inputs such as feed and fuel. Chart 2 presents historical and projected prices for milk, corn, and on-highway diesel fuel. During 2012, the Northeast uniform price averaged $18.63 per cwt and the corn price averaged $6.67 per bushel, while gas averaged $3.63 per gallon. A lower 2015 milk price will be met by projected prices for corn and gas of $4.18 per bushel and $2.60 per gallon, respectively. While input costs project to decline to near 2009 levels, stronger exports and domestic economy than in 2009 should support milk prices well above those in 2009.❖

2015 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	Monday	1/26/15
February	Wednesday	2/25/15
March	Wednesday	3/25/15
April	Monday	4/27/15
May	Tuesday	5/26/15
June	Thursday	6/25/15
July	Monday	7/27/15
August	Tuesday	8/25/15
September	Friday	9/25/15
October	Monday	10/26/15
November	Wednesday	11/25/15
December	Monday	12/28/15

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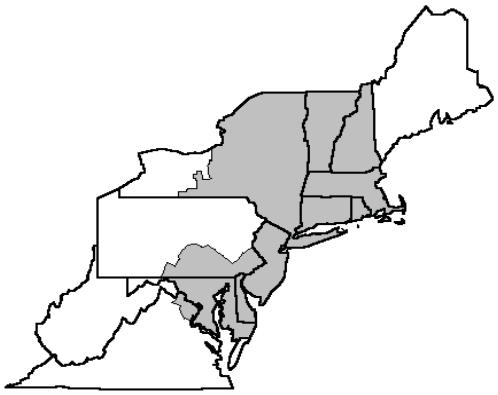
Computation of Producer Price Differential and Statistical Uniform Price*

	Product Pounds	Price per cwt./lb.	Component Value	Total Value
Class I— Skim	737,953,584	$16.50	121,762,341.36	
Butterfat	15,671,923	3.2541	50,998,004.63	
Less: Location Adjustment to Handlers			(2,556,967.42)	$170,203,378.63
Class II— Butterfat	29,298,681	2.2081	64,694,417.49	
Nonfat Solids	39,524,455	1.4022	55,421,190.80	120,115,608.29
Class III– Butterfat	23,083,391	2.2011	50,808,851.97	
Protein	16,168,859	3.9018	63,087,654.01	
Other Solids	29,265,574	0.4505	13,184,141.08	127,080,647.06
Class IV– Butterfat	12,773,605	2.2011	28,115,981.96	
Nonfat Solids	31,212,760	1.2102	37,773,682.15	65,889,664.11
Total Classified Value				**$483,289,298.09**
Add: Overage—All Classes				47,911.12
Inventory Reclassification—All Classes				(811,838.19)
Other Source Receipts	1,223,856 Pounds			19,809.22
Total Pool Value				**$482,545,180.24**
Less: Producer Component Valuations @ Class III Component Prices				(487,134,469.53)
Total PPD Value Before Adjustments				**($4,589,289.29)**
Add: Location Adjustment to Producers				11,089,171.03
One-half Unobligated Balance—Producer Settlement Fund				1,097,830.03
Less: Producer Settlement Fund—Reserve				(951,046.06)
Total Pool Milk & PPD Value	2,077,083,050 Producer pounds			**$6,646,665.71**
Producer Price Differential		**$0.32**		
Statistical Uniform Price		**$22.26**		

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



The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

December 2014 Federal Order No. 1

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December Pool Price Calculation

The December 2014 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $21.02 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 $22.24 per hundredweight. The December statistical uniform price was $1.24 per hundredweight below the November price. The December producer price differential (PPD) at Suffolk County was $3.20 per hundredweight, an increase of $2.88 per hundredweight from last month.

Product Prices Effect

All commodity product prices declined in December. Butter prices dropped 8 cents; nonfat dry milk fell 13 cents; cheese prices tumbled 39 cents; and dry whey declined about 5 cents, all on a per pound basis. These decreases resulted in lower prices for all component prices, especially protein that dropped $1.16 per pound to the lowest protein price since May 2012. All class prices decreased: Class I declined $1.53; Class II was down 82 cents; Class III fell $4.12; and Class IV dropped $1.51, all on a per hundredweight basis. The SUP fell again and marked its lowest level so far this year. The PPD increased due to the large spread between the prices, primarily the nearly $8.00 difference between the Class I and III prices (see article on page 3 for further explanation).

Records Set

The total volume of producer milk receipts topped was the highest ever for the month of December, while the Class I volume was the lowest ever for the month. The Class IV volume was the highest ever for the Order. The Class I price was the highest ever for the month of December. The SUP was the lowest since October 2013; the PPD was the highest since May 2011. The average producer butterfat test tied with November and December 2013 as the highest ever for the Order. The average producer other solids test tied with 2012 as the highest for the month of December.❖

Pool Summary

- A total of 12,204 producers were pooled under the Order with an average daily delivery per producer of 5,768 pounds.
- Pooled milk receipts totaled 2.182 billion pounds, an increase of 1.7 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 37.0 percent of total milk receipts, an increase of 0.7 percentage points from November.
- The average butterfat test of producer receipts was 3.90 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	37.0	808,442,871
Class II	21.3	463,894,142
Class III	24.2	528,807,631
Class IV	17.5	381,209,736
Total Pooled Milk		2,182,354,380

Producer Component Prices

	2014	2013
	$/lb	
Protein Price	2.7387	3.5390
Butterfat Price	2.0991	1.7672
Other Solids Price	0.3996	0.3826

Class Price Factors

	2014	2013
	$/cwt	
Class I	25.78	23.62
Class II	19.09	21.66
Class III	17.82	18.95
Class IV	16.70	21.54

2014 Northeast Order Statistics Summarized

During 2014, the volume of milk received from producers shipping to handlers regulated under the Northeast Order set a new record high since the Order's inception in 2000, surpassing last year's record-setting volume by 1.7 percent. The uniform price also was a record-high for the Order. The year ended with 91 less producers than at the end of 2013. Annual average daily deliveries per producer (DDP) equaled 5,813 pounds, an increase of 3.1 percent from 2013. The accompanying table compares selected pool statistics for 2013 and 2014.

Class Utilization Changes

Class I utilization averaged 35.4 percent in 2014, a decrease of 2.0 percentage points from the previous year. The total volume of milk used in Class I continued its decline, dropping 3.8 percent, and resulted in the smallest ever for the Order. Class II usage decreased 4.8 percent, resulting in overall utilization of 24.2 percent, down from 25.9 percent in 2013.

Class III volume rose 3.5 percent with utilization averaging 25.8 percent, up 0.4 percentage points. The amount of milk used in Class IV jumped 30.9 percent and accounted for an annual average of 14.6 percent utilization, up 3.3 percentage points. The total volume used in Class IV set a record high for the Order; significant increases were reported in milk used in nonfat dry milk.

Record-setting Class and Component Prices

Prices for all commodities used in calculating minimum federal order prices not only rose during 2014, but set record highs. Butter finished the year with a $2.1361 per pound average price after topping $3.00 per pound for the first time ever in mid-late September on the Chicago Mercantile Exchange (CME) and in early October as reported by the National Dairy Products Sales Report. Cheese prices averaged over $2.00 per pound for the first time, and as mentioned above, nonfat dry milk and dry whey also reported record high annual averages.

High commodity prices translated into record, or near-record high component prices and record-high class prices. The price paid to producers for butterfat averaged $2.3792 per pound, 43 percent higher than in 2013. The per-pound annual average protein price was $3.7935 per pound, up 15 percent from 2013. The other solids price rose 16 percent and averaged $0.4684 per pound. The nonfat solids price averaged $1.5844 per pound, an increase of 4 percent. Prices for producer butterfat, other solids, and nonfat solids were the highest ever reported for the Order; the protein price was the second-highest ever, surpassed only by the average price in 2008.

The Class I price averaged $26.54 per hundredweight in 2014, $4.45 (20 percent) above the 2013 annual average. The Class II price averaged $23.34 per hundredweight, $3.92 and 20 percent higher than the previous year. The Class III price averaged $22.34, up $4.35 and 24 percent from 2013. The Class IV price rose $3.04 to $22.09, an increase of 16 percent. For the first time under the Order, all class prices averaged over $20 per hundredweight!

Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged $24.28 per hundredweight, the highest since the Order's inception, and $4.03 and 20 percent higher than the 2013 average.

Producer Tests

The annual average producer butterfat test equaled 3.78 percent in 2014, up .01 from last year, and set a new record. Records were set during 6 months and tied in 5 months. The annual average producer protein test was 3.08 percent, unchanged from 2013 and also tied with last year's record-high. Records were set in 4 months and tied in 2 months during the year. The producer other solids test averaged 5.73 percent, also unchanged from 2013 and tied for second highest annual average.❖

Northeast Order Pool Statistics, 2013–2014

Pool Statistics	2013	2014	2013–14 Change
	million pounds		percent
Class I	9,507.9	9,122.9	(3.8)
Class II	6,578.7	6,247.0	(4.8)
Class III	6,449.5	6,659.1	3.5
Class IV	2,883.8	3,763.9	30.9
Total	25,419.9	25,792.9	1.7
	pounds		
DDP	5,638	5,813	3.1
	utilization percentage		change
Class I	37.4	35.4	(2.0)
Class II	25.9	24.2	(1.7)
Class III	25.4	25.8	0.4
Class IV	11.3	14.6	3.3
	dollars/cwt		percent
Class I	22.09	26.54	20.1
Class II	19.42	23.34	20.2
Class III	17.99	22.34	24.2
Class IV	19.05	22.09	16.0
SUP	20.25	24.28	19.9
Producer Component:			
Tests:	percent		change
Butterfat	3.77	3.78	0.01
Protein	3.08	3.08	0.00
Other Solids	5.73	5.73	0.00
Prices:	dollars/lb		percent
Butterfat	1.6634	2.3792	43.0
Protein	3.3010	3.7935	14.9
Other Solids	0.4029	0.4684	16.3
Nonfat Solids	1.5234	1.5844	4.0

Large Class I–Class III Price Spread

The December Class I price of $25.78 per hundredweight (cwt) was $7.98 above the December Class III price, the largest spread since January 2009 when the difference was $8.21. Then as now, the Class III price declined substantially while the Class I price remained relatively high due to significant changes in underlying market prices and the fact that Class I prices are announced at a different time than are manufacturing class prices.

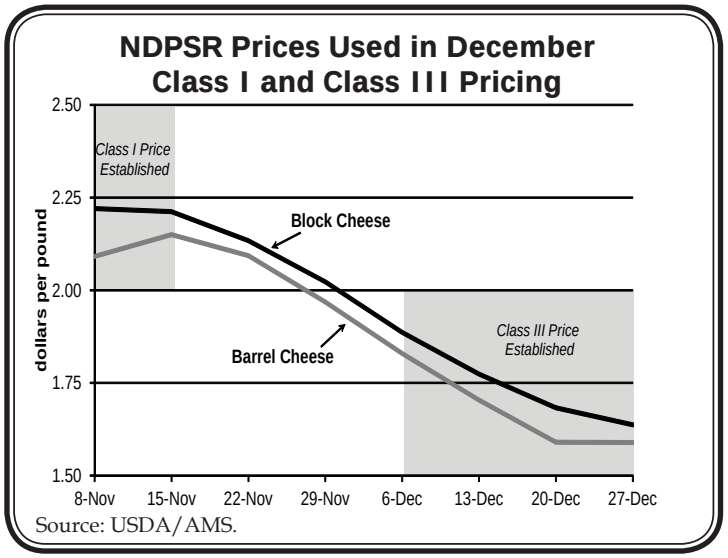
Advanced Pricing Dynamic

Due to advance pricing of Class I milk, the December Class I price was based off of the National Dairy Product Sales Report (NDPSR) product prices reported for weeks ending November 8 and 15. The December Class I price did not reflect the large price decline in the commodity cheese market during the following 6 weeks and through December. The other class prices (II, III, and IV) reflect the current month (December) decreases that were reported by NDPSR for weeks ending December 6, 13, 20, and 27. Producer component prices for protein, butterfat, and nonfat solids are calculated from the same market prices as the Class III price, so component prices reflect the drop in market prices. NDPSR cheese price levels are depicted in the accompanying chart.

The same dynamic resulted in a Producer Price Differential (PPD) of $3.20 per cwt, the highest since May 2011, when higher Class IV prices were moving the Class I price, contributing to a higher uniform price while the Class III price had not yet begun to move higher.

What It Means

The PPD is the difference between the Class III price and the uniform price. The uniform price is essentially a pounds weighted average of all class prices. A high Class I price relative to Class III pulls up that weighted average price and results in more shared classified value paid to producers through the pool as the PPD.



Source: USDA/AMS.

For producers, December's high PPD and lower Class III price means they are receiving relatively less value from components and more from the PPD. Handlers, on the other hand, will notice higher payments into the federal pool, but pay less for the component value for milk they purchased. Assuming market prices stabilize, the following month the proportion of a producer's milk check that comes from the PPD value will decline and the portion received from components will return to a more normal share. A similar, but opposite, adjustment will occur for handlers.❖

Production Records for Class Action Settlement

The recently approved settlement by Dairy Farmers of America, Inc. (DFA) and Dairy Marketing Services (DMS) in the class action case of Allen et al, v Dairy Farmers of America et al, (case number 5:09-cv-230, U.S. District Court for the District of Vermont) means that eligible dairy farmers, upon submitting their production history, may be entitled to a payment as part of the settlement.

Although the Northeast Market Administrator's Office has no interest, involvement, or role in this case or in any determinations issued, we are offering to compile the production records for eligible producers for the entire stipulated period (January 1, 2002–December 31, 2014), regardless if a producer has switched handlers during the period. This summary data will be provided to whoever is the current handler that has eligible producers pooled on the Northeast Order. Retired producers may request their production history directly from the Market Administrator's Office if a handler no longer has such records.

Authorization to Release Data

The Agricultural Marketing Agreement Act requires the Market Administrator's Office keep all information provided by handlers as confidential. This would include producer production records as submitted on monthly producer payrolls. However, such information may be released if so authorized by the handler. Before the Market Administrator compiles and provides producer data to handlers, we are obtaining such authorizations from all Northeast Order handlers. Since the court issued an amendment to the original determination allowing claim forms to be submitted until May 30, 2015, we anticipate providing producer production records to handlers and individual producers by mid-March, once the producer payroll verification process and compilation of historical records are completed by our office. For additional information visit the settlement website: www.northeastdairyclass.com or contact the claims administrator 1-855-460-1533.❖

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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	791,590,001	$18.64	147,552,376.19	
Butterfat	16,852,870	2.2260	37,514,488.62	
Less: Location Adjustment to Handlers			(2,813,093.34)	$182,253,771.42
Class II— Butterfat	28,852,470	2.1061	60,766,187.07	
Nonfat Solids	40,125,224	1.3489	54,124,914.61	114,891,101.68
Class III– Butterfat	24,637,067	2.0991	51,715,667.32	
Protein	16,462,621	2.7387	45,086,180.13	
Other Solids	30,126,480	0.3996	12,038,541.40	108,840,388.85
Class IV– Butterfat	14,797,983	2.0991	31,062,446.14	
Nonfat Solids	33,771,101	1.0767	36,361,344.46	67,423,790.60
Total Classified Value				**$473,409,052.55**
Add: Overage—All Classes				64,181.86
Inventory Reclassification—All Classes				38,791.00
Other Source Receipts	4,365,028 Pounds			322,515.68
Total Pool Value				**$473,834,541.09**
Less: Producer Component Valuations @ Class III Component Prices				(415,593,547.16)
Total PPD Value Before Adjustments				**$58,240,993.93**
Add: Location Adjustment to Producers				11,675,066.26
One-half Unobligated Balance—Producer Settlement Fund				990,963.63
Less: Producer Settlement Fund—Reserve				(932,002.77)
Total Pool Milk & PPD Value	2,186,719,408 Producer pounds			**$69,975,021.05**
Producer Price Differential		**$3.20**		
Statistical Uniform Price		**$21.02**		

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