

# The Market Administrator's

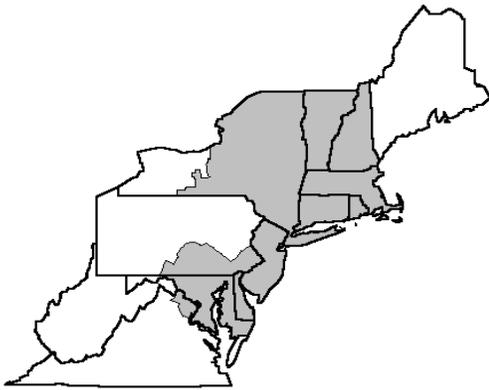
# BULLETIN

## NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

October 2013

Federal Order No. 1



To contact the Northeast Marketing Area offices:

Boston, MA: phone (617) 737-7199, e-mail address: MABoston@fedmilk1.com; Albany, NY: phone (518) 452-4410, e-mail address: MAAlbany@fedmilk1.com; Alexandria, VA: phone (703) 549-7000, e-mail address: MAAlexandria@fedmilk1.com; website address: www.fmmone.com

## October Pool Price Calculation

The October 2013 statistical uniform price (SUP) for the Northeast Marketing Area was announced at \$20.88 per hundredweight for milk delivered to plants located in Suffolk County, Massachusetts (Boston), the pricing point for the Northeast Order. The statistical uniform price is calculated at 3.5 percent butterfat, 2.99 percent protein, and 5.69 percent other solids. If reported at the average tests of producer pooled milk, the SUP would be \$21.92 per hundredweight. The October statistical uniform price was 30 cents per hundredweight above the September price. The October producer price differential (PPD) at Suffolk County was \$2.66 per hundredweight, an increase of 22 cents per hundredweight from last month.

### Product Prices Effect

During October, all prices for products used in calculating component prices rose except dry whey, which declined slightly. The component prices for butterfat and nonfat solids rose, while prices for protein and other solids decreased.

All class prices increased from the previous month: Classes I and III increased slightly, while Classes II and IV jumped 74 and 78 cents per hundredweight, respectively. The Class III price remained the lowest of the class prices; the other class prices were all over \$20.00 per hundredweight. The increases in the Classes II and IV prices, combined with the small change in the Class III price, resulted in the increase in the PPD. For the fifth month in a row, the uniform price averaged greater than \$20.00 per hundredweight. In addition, it was the second highest uniform price ever reported for the month of October.

### Records Set

Total pooled milk receipts were the highest ever for the month of October while the number of producers was the smallest reported since the Order's inception. 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 October. 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 October. The producer butterfat test set a record high for the month of October. ❖

## Pool Summary

- A total of 12,217 producers were pooled under the Order with an average daily delivery per producer of 5,418 pounds.
- Pooled milk receipts totaled 2.052 billion pounds, a decrease of 0.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 40.2 percent of total milk receipts, an increase of 1.3 percentage points from September.
- The average butterfat test of producer receipts was 3.81 percent.
- The average true protein test of producer receipts was 3.14 percent.
- The average other solids test of producer receipts was 5.69 percent. ❖

### Class Utilization

Pooled Milk	Percent	Pounds
Class I	40.2	825,554,841
Class II	26.0	534,333,532
Class III	26.5	542,872,904
Class IV	7.3	149,278,324
Total Pooled Milk		2,052,039,601

### Producer Component Prices

	2013	2012
	\$/lb	
Protein Price	3.4107	3.7278
Butterfat Price	1.6638	2.1136
Other Solids Price	0.3852	0.4340

### Class Price Factors

	2013	2012
	\$/cwt	
Class I	22.45	22.13
Class II	20.56	18.44
Class III	18.22	21.02
Class IV	20.17	18.54

# Trends in Processing Locations by Differential Zone

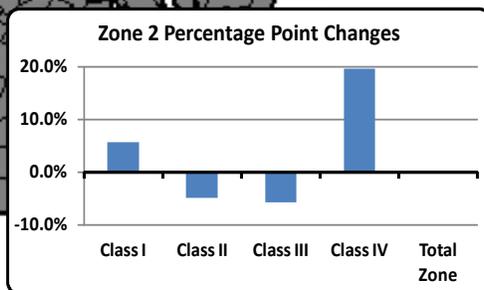
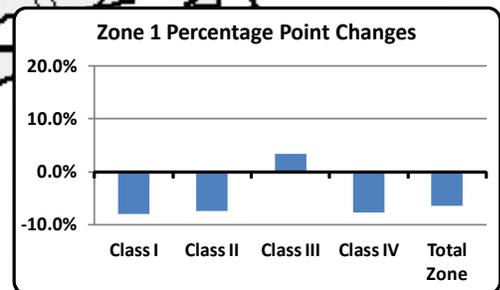
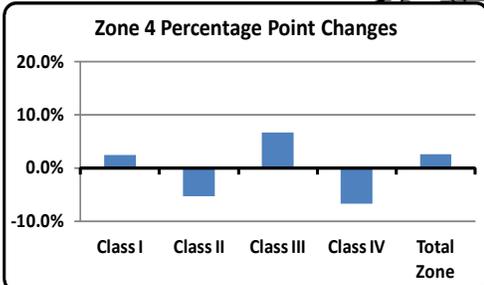
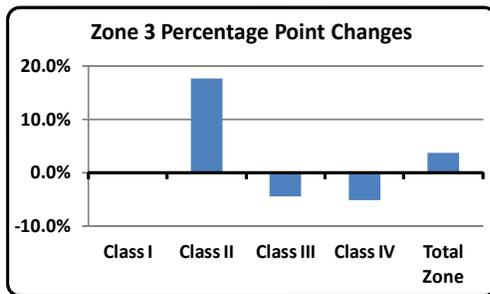
The accompanying map highlights how the location of where milk is processed in the Northeast Order has changed over time (10 years). The shading represents the Order's Class I differential zones, with the highest differentials in counties closest to Boston, New York City, and Philadelphia; differential zones decline the farther you are from these locations. The differentials impact the price that Class I plants have to pay for milk as well as the price producers receive in the producer price differential (PPD) value.

## Changes Revealed

Changes represented in the charts are percentage point changes in the proportion of the class pooled in that zone. It gives an indication of whether a zone is now pooling a greater or lesser portion of a class than 10 years ago. The total column represents the change in the portion of Northeast Order milk pooled in that zone.

For the two months under review, September 2003 (continued on page 3)

**Changes in Each Zone's Portion of Total Northeast Milk Pooled, By Class, September, 2003 & 2013**



Zone	Price Range
1	\$3.15 and above
2	\$2.80 - \$3.10
3	\$2.40 - \$2.70
4	\$2.35 and below

## Less Milk Moving Out of the Order

In past years, we often reported how more pooled milk typically moved out of the Northeast Order during the months of August and September than was shipped into the Order during those months. For many years, bulk milk was shipped out of the Order, mainly to southern areas (Appalachian, Florida, and Southeast Federal Orders) as these areas tended to have milk shortfalls at the end of summer and early fall just as schools would open and prices offered for milk in those regions would entice Northeast milk to be delivered to those markets.

### Changes in Milk Movements

For the years 2001 through 2005, combined shipments for the months of August and September totaled nearly 300 million pounds (see accompanying table). Of this total, 64.7 percent went to the South where it was utilized as Class I. During that same period, almost 200 million pounds were received at Northeast Order pool plants from other federal orders.

During the last 5 years (2009-2013), a significant change has occurred in movements in and out of the Northeast Order during the fall. The volume shipped for the 2-month period has declined to less than 100 million pounds while the volume received has stayed about the same (200 million). Of the milk shipped out of the area, a majority still moved to the southern orders, but the volume used to fill Class I needs has declined significantly.

### Contributing Factors

There are many factors contributing to this change in milk movements. Overall, Class I sales have declined

## Trends in Processing *(continued from page 2)*

and September 2013, the results show that for all milk pooled, a greater portion of milk is being pooled in the lowest two zones. The portion pooled there increased by 3.8 and 2.6 percentage points, respectively. Meanwhile, the portion of milk pooled in the highest zone, \$3.15 and above, fell by 6.4 percentage points. We learn a little more by looking at these proportions by class.

The proportion of Class I pooled on the Order from the highest zone, \$3.15 and above, decreased by 8.0 percentage points. The highest zone's portion of milk pooled as Class II and Class IV also fell, by 7.4 and 7.7 percentage points, respectively. This zone is pooling 3.4 percentage points more of the portion of the total Class III volume.

The \$2.80 to \$3.10 zone's portion of Class I increased by 5.7 percentage points, largely compensating for the declining proportion for Class I in the highest zone. The \$2.80 to \$3.10 zone is accounting for a larger portion of the Class IV volume, a 19.6 percentage point gain. The \$2.40 to \$2.70 zone accounted for a 17.7 percentage point

### Milk Movements: Northeast to/from Other Federal Orders

		Combined Total for August and September for:	
		2001-2005	2009-2013
		million pounds	
Total*	Shipped	291.5	92.0
	Received	197.2	194.0
	<b>Net</b>	<b>94.3</b>	<b>(102.0)</b>
		percent	
South**	Shipped	88.1	60.1
	Class I	64.7	27.0

\* Includes Order Nos. 5, 6, 7, 30, 32, 33, 126, and 135.

\*\* Includes Order Nos. 5, 6, and 7.

in federal order areas in total between the two five-year periods. In contrast, Class I sales have increased in the Appalachian and Southeast Orders; Florida has declined slightly. To meet these needs, these areas receive milk from other areas that may be closer in proximity and have surplus milk, such as Texas that has largely displaced the Northeast as a supplier.

In addition, the Northeast area has experienced a significant increase in Class II usage during the past 5 years largely due to the growth in Greek-style yogurt. This regional demand growth has maintained the consistency of movements from other orders into the Northeast along with keeping Northeast pooled receipts in the area rather than shipping to other areas as regional milk supplies have become better aligned with regional demand. ❖

increase in its portion of total Class II volume pooled. Lastly, the lowest zone's portion of Class I and III has increased while its portion of Class II and IV have declined. The notable increase in the portion of Class IV pooled in Zone 2 is due to relative market situations and not capacity changes between the periods.

### Sources and Impacts of Change

Not surprisingly, the changes portrayed on the map reflect a changing industry in the Northeast. Consolidation and closing of several Class I plants occurred during this period, as processing capacity has become more aligned with declining Class I demand. Historically, Class I plants have been located in the high differential zones, close to population centers, but where milk production has been in long-term decline. At the same time, significant growth in manufacturing plant capacity has occurred in the outer differential zones of the milkshed, in regions where milk supply has been stable or growing. ❖



**MARKET ADMINISTRATOR**  
**302A Washington Avenue Ext.**  
**Albany, NY 12203-7303**

**PRESORTED**  
**FIRST-CLASS MAIL**  
**U.S. Postage**  
**PAID**  
**Albany, NY**  
**Permit 1011**

RETURN SERVICE REQUESTED

**FIRST CLASS MAIL**

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, political beliefs, genetic information, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Stop 9410, Washington, DC 20250-9410 or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.

**Computation of Producer Price Differential and Statistical Uniform Price\***

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
Class I— Skim	809,431,605	\$17.80	144,078,825.69	
Butterfat	16,123,236	1.5052	24,268,694.83	
Less: Location Adjustment to Handlers			(2,779,902.56)	\$165,567,617.99
Class II— Butterfat	30,863,154	1.6708	51,566,157.72	
Nonfat Solids	46,258,156	1.6944	78,379,819.56	129,945,977.28
Class III— Butterfat	23,180,186	1.6638	38,567,193.45	
Protein	17,029,683	3.4107	58,083,139.80	
Other Solids	30,781,347	0.3852	11,856,974.91	108,507,308.16
Class IV— Butterfat	8,046,814	1.6638	13,388,289.12	
Nonfat Solids	12,956,741	1.6521	21,405,831.80	34,794,120.92
<b>Total Classified Value</b>				<b>\$438,815,024.35</b>
Add: Overage—All Classes				146,684.71
Inventory Reclassification—All Classes				87,046.63
Other Source Receipts	677,122 Pounds			31,487.64
<b>Total Pool Value</b>				<b>\$439,080,243.33</b>
Less: Producer Component Valuations @ Class III Component Prices				(395,177,568.14)
<b>Total PPD Value Before Adjustments</b>				<b>\$43,902,675.19</b>
Add: Location Adjustment to Producers				10,790,020.92
One-half Unobligated Balance—Producer Settlement Fund				906,261.20
Less: Producer Settlement Fund—Reserve				(996,692.50)
<b>Total Pool Milk &amp; PPD Value</b>	2,052,716,723 Producer pounds			<b>\$54,602,264.81</b>
Producer Price Differential		<b>\$2.66</b>		
Statistical Uniform Price		<b>\$20.88</b>		

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