

The Market Administrator's

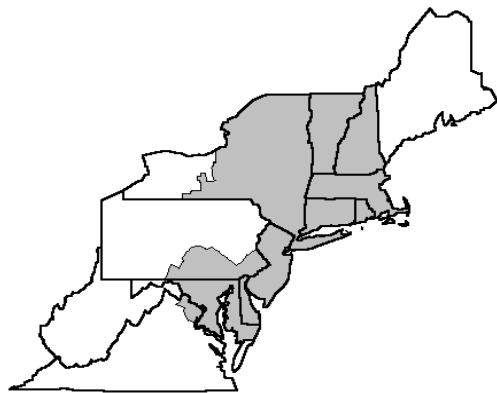
BULLETIN

NORTHEAST MARKETING AREA

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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 (Midwest – 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

Number	Name	Pooled Producer Milk by Class					Producer Component Test		
		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	Midwest	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

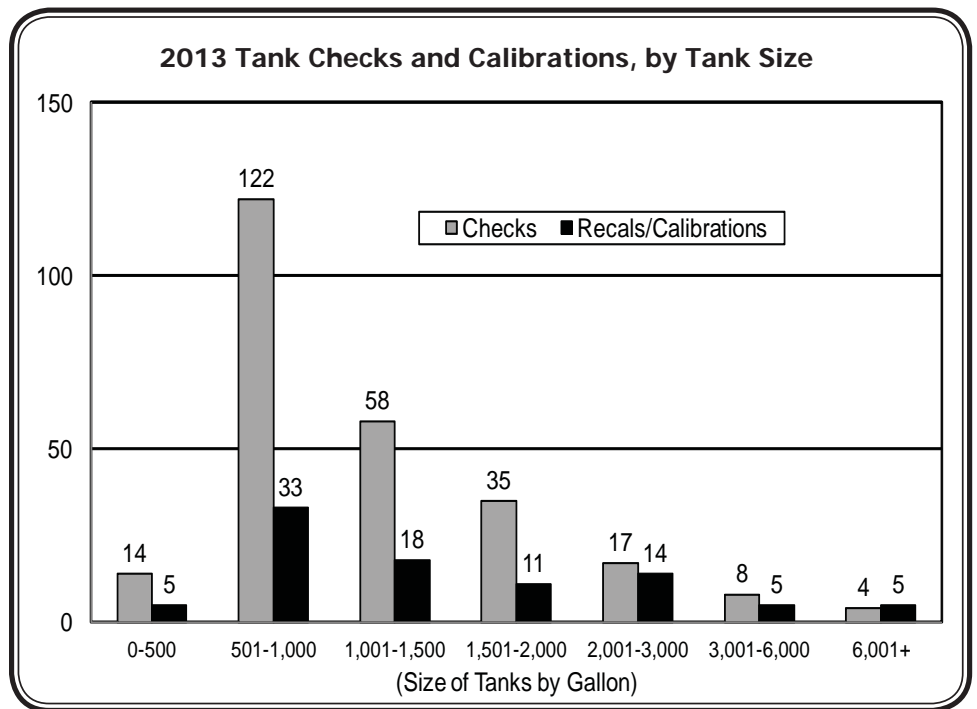
The Market Administrator (MA) verifies or establishes weights, samples and tests producer milk, and provides market information for producers who are not receiving such services from a cooperative association.

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*

	<u>Product Pounds</u>	<u>Price per cwt./lb.</u>	<u>Component Value</u>	<u>Total Value</u>
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.