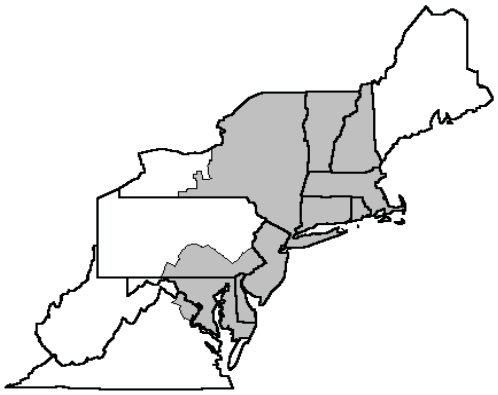

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

April 2015 Federal Order No. 1

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April Pool Price Calculation

The April 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.51 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 $17.20 per hundredweight. The April statistical uniform price was 11 cents per hundredweight above the March price. The April producer price differential (PPD) at Suffolk County was $0.70 per hundredweight, a decrease of 14 cents per hundredweight from last month.

Product Prices Effect

Similar to March, commodity prices during April increased for cheese and butter, while nonfat dry milk and dry whey decreased. The changes were more significant than last month; the price for nonfat dry milk was the lowest since September 2009. The result of these changes equated to nearly a 5-cent per pound increase in the butterfat price and 7-cent increase in protein. The nonfat solids price dropped 5 cents and other solids decreased 2 cents per pound.

The Class I price, set in advance, dropped 6 cents per hundredweight; the other classes had greater changes. The Class II price rose 48 cents, Class III was up 25 cents, and Class IV decreased 29 cents. Class III remained above both Class II and Class IV. With the greater changes in the class prices, the SUP rose slightly from last month. The tighter spread between class prices resulted in a lower PPD.

Records Set

The total volume of producer milk receipts was the second highest ever for the month of April. Daily deliveries per producer averaged 6,202 pounds, the highest ever for the Order. Class I volume was the smallest ever for the month while the Class II volume was the second highest ever for April. The Class IV was the largest ever for the Order.

The average producer butterfat test in April set a new record for the month.❖

Pool Summary

- A total of 11,848 producers were pooled under the Order with an average daily delivery per producer of 6,202 pounds.
- Pooled milk receipts totaled 2.204 billion pounds, an increase of 1.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 32.8 percent of total milk receipts, a decrease of 1.5 percentage points from March.
- The average butterfat test of producer receipts was 3.78 percent.
- The average true protein test of producer receipts was 3.05 percent.
- The average other solids test of producer receipts was 5.75 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	32.8	723,128,489
Class II	23.7	522,381,988
Class III	23.7	521,536,659
Class IV	19.8	437,405,945
Total Pooled Milk		2,204,453,081

Producer Component Prices

	2015	2014
	$/lb	
Protein Price	2.5551	4.7089
Butterfat Price	1.8940	2.1207
Other Solids Price	0.2698	0.4926

Class Price Factors

	2015	2014
	$/cwt	
Class I	18.75	26.90
Class II	14.98	24.74
Class III	15.81	24.31
Class IV	13.51	23.34

Organic Producer Counts and Components

The total milk volume pooled on the Northeast Order includes organic milk, in addition to what might be referred to as "regular" or "conventional" milk. In December 2014, approximately 55 million pounds of organic milk was pooled on the Northeast Order. That equates to roughly 2.5 percent of the total pool.

Organic Producer Counts

Based on payroll data, the number of organic producers pooled on the Order declined somewhat from 1,008 in 2010 to 933 in 2014 (see Table 1). This does not necessarily imply a reduction in the number of organic dairy producers, just fewer whose milk was delivered to plants in the Northeast and pooled on the Order. The years from 2010 through 2014 do include a period of time when there was an abundance of organic milk relative to the market demand (a dynamic that seems to have reversed more recently) as well as a period when conventional milk prices were returning all-time record highs. Table 1 also shows the location of organic producers pooling on the Order by state.

Table 1

Organic Producers by State / Area

State/Area	2010	2011	2012	2013	2014
ME	65	56	54	49	51
NY	353	356	361	354	341
PA	267	254	265	255	249
VT	160	156	148	142	132
Other Northeast*	20	21	20	18	19
IN	33	33	27	44	37
MI	29	29	29	28	15
OH	75	97	94	94	89
Other Outside Northeast**	6	2	0	0	0
Total	1,008	1,004	998	984	933

* CT, DE, MA, MD, NH, NJ, RI, VA, and WV. ** KY, MN, NC, and WI.

Table 2

Annual Average Component Tests by Milk Type

Average Butterfat Test

Milk Type	2010	2011	2012	2013	2014	2010-2014
Conventional	3.69	3.72	3.72	3.76	3.77	3.73
Organic	3.75	3.92	3.91	3.95	4.00	3.91

Average Protein Test

Milk Type	2010	2011	2012	2013	2014	2010-2014
Conventional	3.05	3.06	3.05	3.08	3.07	3.06
Organic	2.92	3.07	3.08	3.10	3.09	3.05

Average Organic Component Tests

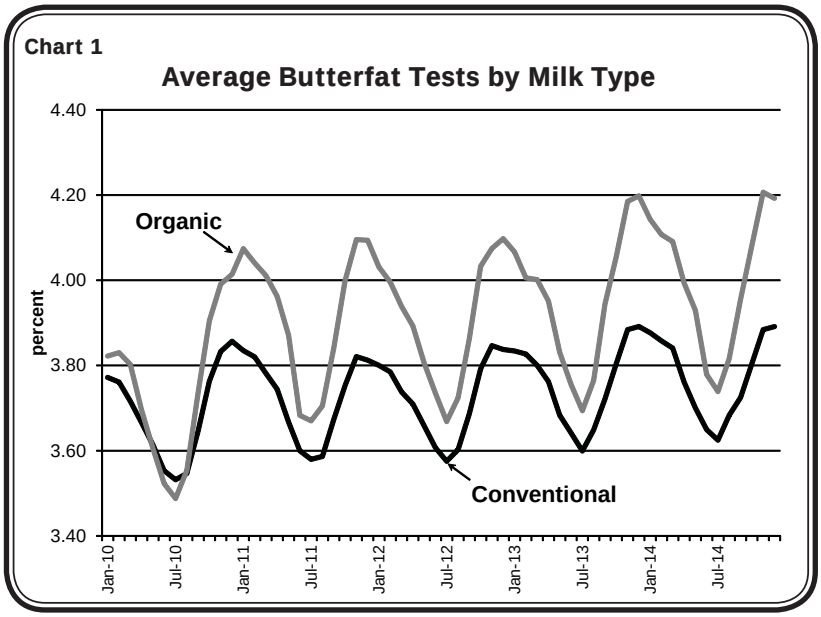
Conventional dairying generally is associated with high levels of grain feeding and use of cow breeds that produce high milk volumes, while organic dairying often is associated with pasture and forage feeding and use of mixed breeds. The dairy management practices of an organic or conventional operation with respect to feed and breed and other factors may impact resulting herd tests for milk components such as butterfat and protein.

Using Northeast Order producer payroll data, and analyzing results based on whether a producer in these data are identified as 'organic' or 'not organic', we can look at how component tests levels for butterfat and protein differ. These data do not allow us to make any conclusions with regard to specific feed, breed, health, and genetic practices between the two industries, but simply a comparison of component levels by milk type.

Based on the data from 2010 through 2014, the average butterfat test for organically produced milk pooled on the order was about 0.18 percentage points higher than conventionally produced milk pooled (Table 2). There was almost no difference between protein levels for this time period as conventional milk averaged just 0.01 percentage points higher than organic. Looking at just 2011 forward, organically produced milk averaged 0.02 percentage points higher than conventional. Charts 1 presents average butterfat tests from 2010 through 2014, by month. The chart shows a greater degree of range between high and low tests in a year's milk production cycle. Protein tests (not shown) follow a similar pattern.

(continued on page 3)

Chart 1



Organic Counts *(continued from page 2)*

Daily Output per Producer

Table 3 presents differences in the daily average output of producer milk per farm for the month of December, from 2010 through 2014. The table shows that conventional farms produce from 200 to 250 percent more milk per day than organic farms. Since 2010, conventional farms' production per day has increased 21 percent, while organic production per day increased by 9 percent.❖

Table 3
Daily Average Output of Producer Milk Per Farm, December

Milk	2010	2011	2012	2013	2014
Organic	1,743	1,682	1,750	1,809	1,901
Conventional	5,225	5,353	6,146	6,136	6,340
Total	4,963	5,066	5,782	5,778	5,988

Organic Sales Continue to Grow

As we have discussed in previous issues, total sales of fluid milk products in the Northeast Marketing Area continue to decline. The decrease in total fluid sales for the past 3 years from handlers pooled on the Northeast Order has been fairly consistent: 2.6 percent in 2012, 2.5 percent in 2013, and 2.4 percent in 2014. However, a subset of total fluid milk products is the category of organic milk, which has risen considerably. Sales of organic products in the marketing area from these same handlers have grown nearly every year since the Order began collecting data (late 2005). On average, organic sales have increased 8.8 percent annually; the increase was 9.4 percent in 2014.

The accompanying table shows organic sales by type of handler and product for the years 2010, 2013, and 2014. In addition to the pool handler sales mentioned above, the table includes sales from non-regulated handlers—these are handlers regulated by other federal orders, handlers who are partially regulated by Order 1, producer-handlers and exempt distributors.

By Handler

As the table shows, organic sales in the marketing area have jumped 27 percent since 2010; between 2013 and 2014, sales rose 10.3 percent. Sales by regulated pool handlers have increased 16.3 percent from 2010 to 2014; their increase is 9.5 percent from 2013. The difference has come from handlers not regulated by Order 1; these sales grew 67.5 percent from 2010 to 2014 and 12.7 percent from 2013 to 2014.

By Type

Of the organic sales in the marketing area, reduced fat products accounted for two-thirds of total organic sales in 2014. These include reduced fat (2%), low fat (1%), fat free (skim), and flavored reduced/lower fat products. This proportion has declined somewhat over the years. In 2010, reduced fat products accounted for 73 percent; in 2013, the proportion was 70 percent. Organic whole and flavored milk account for the difference.

Sales Moving Out of the Area

Sales of organic products moving out of the area have varied somewhat over the years. During 2010, the total volume moving out of the marketing area equaled 148.8 million pounds. This means the product was processed by plants located in the Northeast area but sold to regions located outside of the Northeast area. Of this, 100 million went to other federal order areas, the remainder to non-regulated areas. In 2013, the volume rose to 187.5 million pounds with 102 million to other federal orders. In 2014, the volume declined to 154 million pounds; other order sales accounted for 111.7 million pounds. Changes in these sales may be due to changes in account suppliers being regulated by Order 1 or non-order. For sales going out of the marketing area, reduced fat products account for a higher proportion: 82 percent in 2010, 83 percent in 2013, and 76 percent in 2014.❖

Organic Sales in the Northeast Marketing Area by Type of Handler

	2010			2013			2014		
Type of Handler	Whole	Reduced*	Total	Whole	Reduced*	Total	Whole	Reduced*	Total
	million pounds								
Regulated Pool	91.4	238.5	329.9	106.5	244.1	350.5	127.5	256.2	383.8
Non-Regulated**	22.5	65.0	87.6	38.2	92.0	130.2	47.8	98.9	146.7
Total Sales	113.9	303.6	417.5	144.6	336.0	480.7	175.3	355.1	530.4

* Includes reduced fat, low fat, fat free, and flavored lower-fat products.

** Includes handlers regulated by Other Federal Orders, Partially Regulated Handlers, Producer-Handlers, and Exempt Distributors.

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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	709,095,740	$12.62	89,487,882.39	
Butterfat	14,032,749	1.8767	26,335,260.05	
Less: Location Adjustment to Handlers			(2,525,012.55)	$113,298,129.85
Class II— Butterfat	31,327,097	1.9010	59,552,811.45	
Nonfat Solids	44,917,140	0.9589	43,071,045.56	102,623,857.01
Class III– Butterfat	22,561,519	1.8940	42,731,516.97	
Protein	15,922,944	2.5551	40,684,714.23	
Other Solids	29,798,884	0.2698	8,039,738.91	91,455,970.11
Class IV– Butterfat	15,447,977	1.8940	29,258,468.43	
Nonfat Solids	38,553,855	0.7926	30,557,785.47	59,816,253.90
Total Classified Value				**$367,194,210.87**
Add: Overage—All Classes				64,011.25
Inventory Reclassification—All Classes				119,671.57
Other Source Receipts	208,263 Pounds			6,669.21
Total Pool Value				**$367,384,562.90**
Less: Producer Component Valuations @ Class III Component Prices				(363,778,433.67)
Total PPD Value Before Adjustments				**$3,606,129.23**
Add: Location Adjustment to Producers				11,951,354.49
One-half Unobligated Balance—Producer Settlement Fund				781,650.93
Less: Producer Settlement Fund—Reserve				(906,505.16)
Total Pool Milk & PPD Value	2,204,661,344 Producer pounds			**$15,432,629.49**
Producer Price Differential		**$0.70**		
Statistical Uniform Price		**$16.51**		

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