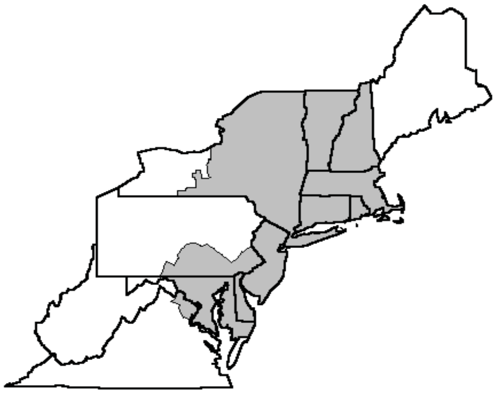

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 2015 Federal Order No. 1

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July Pool Price Calculation

The July 2015 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.91 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 $17.16 per hundredweight. The July statistical uniform price was 18 cents per hundredweight below the June price. The July producer price differential (PPD) at Suffolk County was $0.58 per hundredweight, an increase of 21 cents per hundredweight from last month.

Product Prices Effect

Product prices for all commodities declined except butter that increased slightly. As a result, all component prices dropped except butterfat. Class prices changed slightly: Class I rose 39 cents; Class II declined 7 cents; Class III dropped 39 cents, and Class IV fell 75 cents, all on a per hundredweight basis.

There was no depooled milk for the month and producer milk volume was still strong. Class I sales were below the same month last year; Classes II and IV were above last year. Although Class III was not higher than the same month last year, it was the highest volume since August 2014. The utilization changes combined with the lower prices resulted in a slightly lower SUP and higher PPD. Milk delivered to plants in the outer zones ($2.60 or less) will receive a negative PPD. This was expected and mentioned in last month's *Bulletin*.

Highs and Lows

The volume for July was the highest ever for the month and the fourth largest volume ever for Order. The Class I volume was the lowest ever for the month of July, and when combined with the strong overall pool volume, resulted in the lowest Class I utilization percent since the Order's inception. The Class II volume was the largest since August 2013. The Class IV volume was the third highest ever for the Order; Class IV has been over 400 million pounds every month in 2015 except February.

The average producer butterfat test in July set a record high for the month. The average producer other solids test tied with 2012 as the highest for the month of July.❖

Pool Summary

- A total of 11,697 producers were pooled under the Order with an average daily delivery per producer of 6,265 pounds.
- Pooled milk receipts totaled 2.272 billion pounds, an increase of 5.2 percent from last month on an average daily basis, not adjusting for depooled milk in June.
- Class I usage accounted for 31.3 percent of total milk receipts, a decrease of 2.8 percentage points from June.
- The average butterfat test of producer receipts was 3.65 percent.
- The average true protein test of producer receipts was 2.96 percent.
- The average other solids test of producer receipts was 5.76 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.3	710,346,357
Class II	25.4	576,268,391
Class III	24.3	552,568,303
Class IV	19.0	432,407,347
Total Pooled Milk		2,271,590,398

Producer Component Prices

	2015	2014
	$/lb	
Protein Price	2.6070	3.1798
Butterfat Price	2.1125	2.6349
Other Solids Price	0.2004	0.5046

Class Price Factors

	2015	2014
	$/cwt	
Class I	19.78	26.27
Class II	14.70	24.41
Class III	16.33	21.60
Class IV	13.15	23.78

First Six Months—Changes in Production and Utilization

During the first 6 months of 2015, total pooled milk receipts on the Northeast Order increased 0.8 percent from the same period in 2014. This change does not account for milk depooled by handlers during the months of May and June due to disadvantageous class price alignment. If that milk was included (the depooled producers and their associated milk production were repooled on the Order in July), the increase would have been significantly higher. In comparison, milk production in the 3 top contributing states in the Northeast (New York, Pennsylvania, and Vermont) rose 2.3 percent during the same period, similar to the change in producer milk receipts if the depooled milk had been included.

National Production

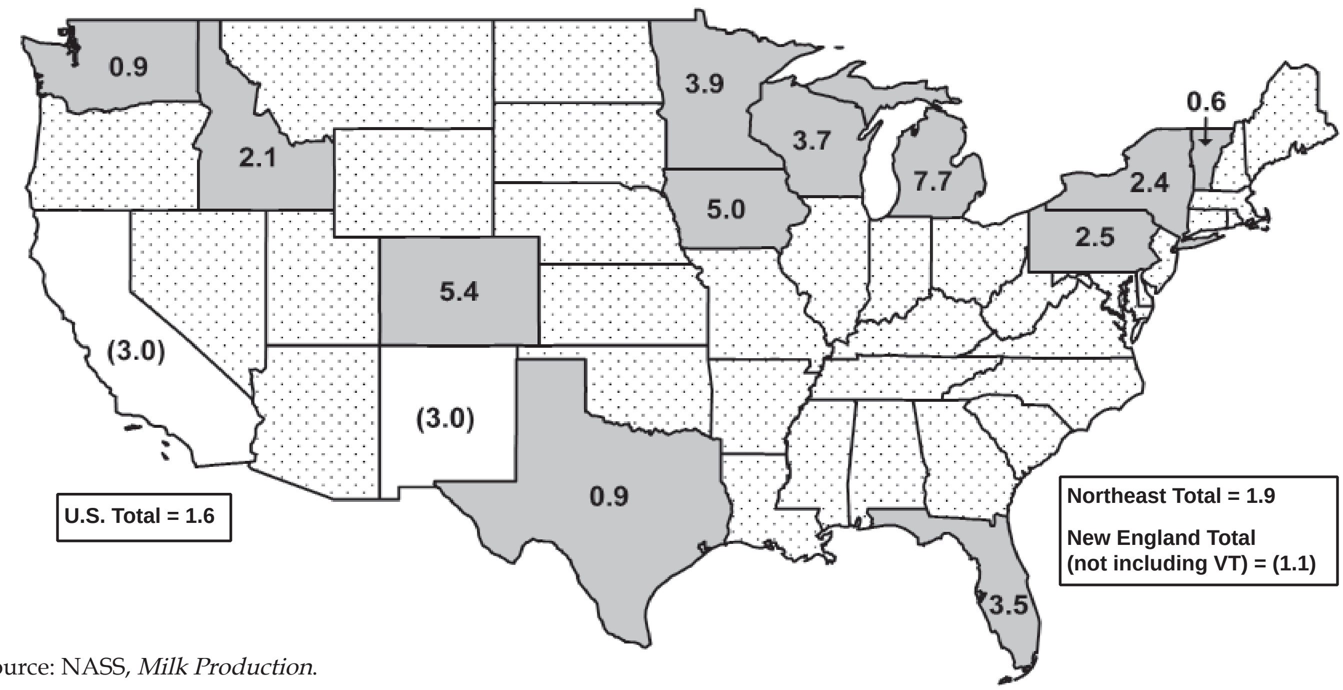
The accompanying map shows year-to-year changes in milk production for the first 6 months of 2015 compared to the same months in 2014 for selected states. Overall, US milk production is up 1.6 percent for the period. The top 23 states (as reported by the National Agricultural Statistics Service) in total report an increase of 1.5 percent. Of the top ten producing states, the only ones to report declining production from the previous year were California and New Mexico. The Upper Midwest and Central US showed the highest growth. The Northeast states, as a whole, were up 1.9 percent; New England states (not including Vermont) were down 1.1 percent. Vermont reported slight growth of 0.6 percent; New York and Pennsylvania were up 2.4 and 2.5 percent, respectively.

Changes in Utilization

Producer milk pooled on the Northeast Order totaled 13,023 million pounds for the January through June period (not including depooled milk). Class I utilization for the same period totaled 4,434 million pounds, 34.0 percent of the total milk pooled and the lowest percent for the January-June period since the Order's inception. Total pooled milk receipts for the first 6 months are the second highest ever for the Order (would be the highest if depooled milk was included), surpassed only by the total in 2002. At that time, Class I pounds for the January-June period totaled 5,235 million pounds and 39.8 percent of the total pooled.

In contrast to Class I, milk utilized in Class IV has set a record high during the first 6 months of 2015. Total pounds used in Class IV equaled 2,505 million pounds, 19.2 percent of the total pooled volume for the January-June period. This volume was up 25.3 percent from the second largest volume 1,999 million pounds that was record-setting in 2008. The strong milk production occurring during this time period has pushed balancing plants to capacity and resulted in some volumes of milk being dumped at farm locations. Class II usage for 2015 continued to decline from the record level set in 2013. Total Class III volume for 2015 is slightly below the 15-year average.❖

January–June 2015 Milk Production in Selected States
(Year-to-Year Percent Change)



Source: NASS, *Milk Production.*

Daily Deliveries Per Producer

The accompanying chart presents trends in the average daily delivery per producer (DDP) for select states in the Northeast, based on pounds pooled on the Northeast Order, for the month of June, from 2000 to 2015. The DDP statistic is calculated by dividing the total production of an area, by the number of producers, and then again by the number of days in the period. In general, DDP is a reflection of the average size operations in the area represented. Since the data used are pounds pooled, the average can be impacted by which size producer(s) may be pooled in a given month, but not in the next.

DDP by Selected Northeast States

The accompanying table presents the average DDP for June 2015 and the percent change since June 2000. During June 2015, the average DDP for the Northeast Order was 6,198 pounds. Connecticut led all states, topping 10,000 pounds. Vermont was second with 9,480 pounds, followed by New York with 7,970 pounds. Pennsylvania's DDP was second lowest at 4,655 pounds. Virginia had the lowest DDP at 3,482, but had less than 100 producers and 10 million pounds total pooled on the Northeast Order. Not all producers from Virgina are pooled on the Northeast Order; they may be pooled on another federal order or Virginia's State Order.

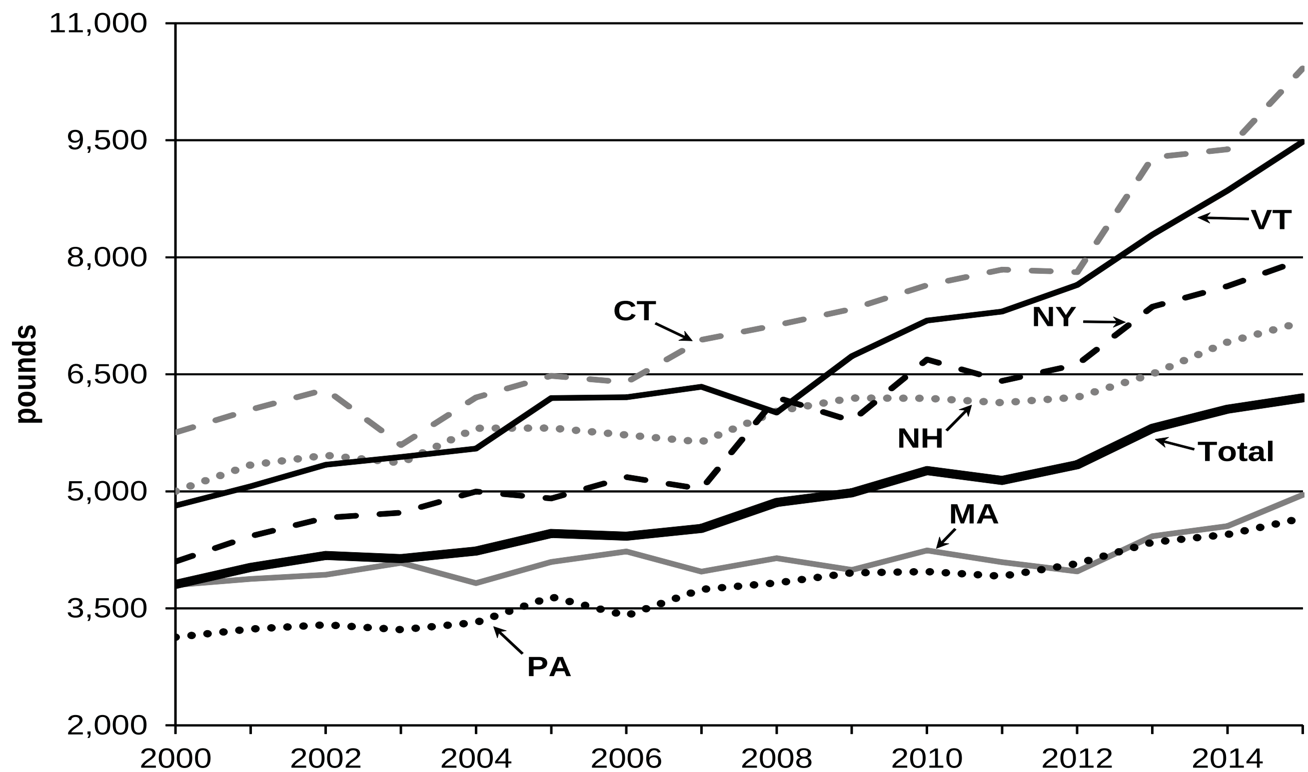
Trend Since 2000

The DDP for all producers pooled on the Northeast Order increased by 62.8 percent since 2000. All states depicted showed an increased DDP except for Virginia (not shown in the chart), which declined by about 25 percent. By state, Vermont and New York showed the first and second largest percent increases, increasing by 97 and 94 percent, respectively. Connecticut and Maine also were above the Order average, both increasing by just over 81 percent. Pennsylvania, New Hampshire, Maryland, and Massachusetts, all increased, but by less than the Order average.❖

June 2015 DDP by State and Percent Change Since June 2000

State	DDP June 2015 (pounds)	Percent Change Since June 2000
CT	10,421	81.1
ME	6,619	81.7
MD	6,149	42.8
MA	4,954	30.4
NH	7,171	43.3
NY	7,970	94.4
PA	4,655	48.7
VT	9,480	96.8
VA	3,482	(24.6)
Total	6,198	62.8

Average DDP, by Selected States, June 2000–2015



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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	695,921,625	$12.72	88,521,230.70	
	Butterfat	14,424,732	2.1440	30,926,625.41	
Less:	Location Adjustment to Handlers			(2,519,696.49)	$116,928,159.63
Class II—	Butterfat	33,770,269	2.1195	71,576,085.15	
	Nonfat Solids	49,127,790	0.8389	41,213,303.06	112,789,388.21
Class III–	Butterfat	23,454,328	2.1125	49,547,267.95	
	Protein	16,373,285	2.6070	42,685,154.03	
	Other Solids	31,628,245	0.2004	6,338,300.33	98,570,722.31
Class IV–	Butterfat	11,174,606	2.1125	23,606,355.20	
	Nonfat Solids	38,148,310	0.6621	25,257,996.06	48,864,351.26
Total Classified Value					**$377,152,621.41**
Add:	Overage—All Classes				29,375.96
	Inventory Reclassification—All Classes				193,497.01
	Other Source Receipts	912,303	Pounds		27,801.76
Total Pool Value					**$377,403,296.14**
Less:	Producer Component Valuations @ Class III Component Prices				(376,584,741.00)
Total PPD Value Before Adjustments					**$818,555.14**
Add:	Location Adjustment to Producers				12,409,938.67
	One-half Unobligated Balance—Producer Settlement Fund				955,790.11
Less:	Producer Settlement Fund—Reserve				(1,003,768.31)
Total Pool Milk & PPD Value		2,272,502,701	Producer pounds		**$13,180,515.61**
	Producer Price Differential		**$0.58**		
	Statistical Uniform Price		**$16.91**		

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