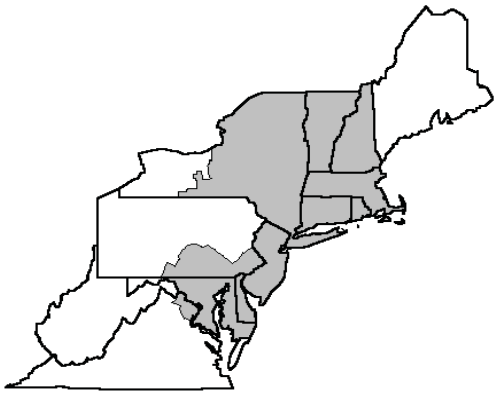

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

July 2016 Federal Order No. 1

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July Pool Price Calculation

The July 2016 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.22 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 $16.63 per cwt. The July statistical uniform price was $1.21 per cwt above the June price. The July producer price differential (PPD) at Suffolk County was $0.98 per cwt, a decrease of 81 cents per cwt from last month.

Product Prices Effect

July was the second month in a row that all product prices increased. Butter rose over 15 cents per pound and cheese jumped over 19 cents per pound. All component prices increased along with class prices. Class I increased 56 cents, Class II rose $1.04, Class III jumped $2.02, and Class IV was up $1.07, all on a per hundredweight basis. The Class IV price was the lowest for the month; the past two months the Class III price was the lowest. The higher prices and the tightening of the spread between the class prices resulted in a higher SUP and a lower PPD.

Class Utilization

The total volume of producer milk was the highest ever for the month of July and the second highest ever under the Order. The Class I volume was the smallest ever for the Order and the first time the Class I utilization percentage was below 30 percent. Class IV volume was the largest ever for the month of July and included the minimum price class volume since the Class IV price was the lowest of the class prices. The minimum price class volume, which includes milk used in animal feed and dumpage, was higher than last year, but down considerably from last month.

The producer butterfat component test set a new record high for the month of July. The protein and other solids tests tied with the record highs set in prior years.❖

Pool Summary

- A total of 11,451 producers were pooled under the Order with an average daily delivery per producer of 6,481 pounds.
- Pooled milk receipts totaled 2.301 billion pounds, a decrease of 1.6 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 29.3 percent of total milk receipts, a decrease of 0.8 percentage points from June.
- The average butterfat test of producer receipts was 3.66 percent.
- The average true protein test of producer receipts was 2.98 percent.
- The average other solids test of producer receipts was 5.76 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	29.3	673,939,414
Class II	25.1	577,070,021
Class III	25.7	592,715,875
Class IV	19.9	457,066,628
Total Pooled Milk		2,300,791,938

Producer Component Prices

	2016	2015
	$/lb	
Protein Price	1.9112	2.6070
Butterfat Price	2.5964	2.1125
Other Solids Price	0.0774	0.2004

Class Price Factors

	2016	2015
	$/cwt	
Class I	16.95	19.78
Class II	15.16	14.70
Class III	15.24	16.33
Class IV	14.84	13.15

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 10 percent for the months listed until further notice. This is the fourth consecutive year that a reduction has been requested.

As has been the situation for the past few years, the requesting handler cited 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 as arguments for their petition. The petition also stated that the reduction in shipping percentages would have an insignificant effect on individual producer's pay prices.

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 2016 have been strong, while Class I sales have continued to decline. The June Class I utilization was the lowest ever under the Order. In contrast, the total volume of milk pooled through the first 6 months of this year was the largest since the Order's inception.

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, for both 2016 and 2017. For additional information, copies of the request, comments, and the decision, see the links on our webpage at www.fmmone.com.❖

Pool Milk Projections

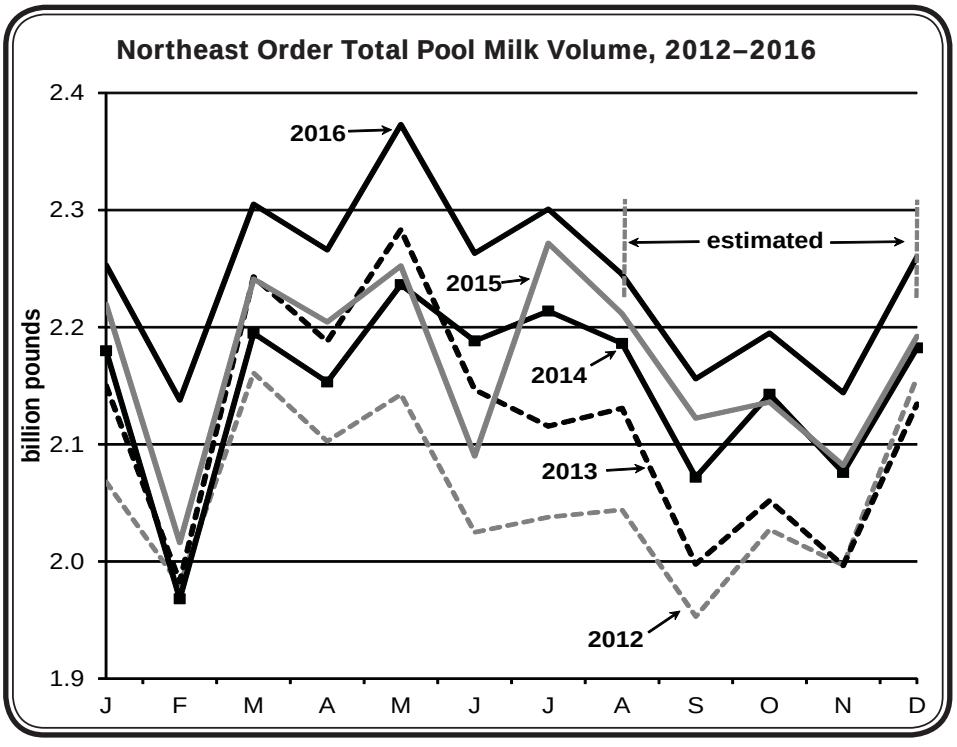
The total pooled milk volume for the Northeast Order for the first 6 months of 2016 was 575 million pounds higher (4.4 percent) than the same period last year. The simple average monthly year-over-year increase was 3.9 percent.

Using the first half of 2016 as an estimate for the second half would result in nearly 1 billion pounds higher total pool volume than in 2015. But there are a couple of factors to look at that adjust these projections downward. First, a significant volume of milk was depooled during May and June of 2015 by handlers taking advantage of pricing alignments. This inflates the growth seen during May (5.4 percent) and June (8.2 percent) of 2016, although milk production has been strong, especially in New York, all of 2016. Second, the extra day in February 2016 (leap year) resulted in some additional volume.

After adjusting for the factors mentioned above (depooling and leap year) and using the average monthly change as a projection for the rest of 2016, with milk production following historical production patterns for the Order where it generally slows in August and September before increasing again in the late fall, 2016 could finish about 860 million pounds higher than last year. This would be an increase of 3.3 percent, the largest since 2010.

The accompanying chart shows pooled milk volumes from 2012 to 2016. Seasonality is fairly consistent with the exceptions of leap year and depooling. These can be seen clearly as the less than usual decline in February of 2012 and 2016 (leap years), and the less than usual increase in May 2015 and the drastic decrease in June 2015 (depooling).

Milk production has been strong nationally (see article on page 3) and pooled milk volumes in the Northeast reflect strong production in the some of the main contributing states to the Northeast Order (New York, Vermont, Maine, and to a lesser extent, Pennsylvania).❖

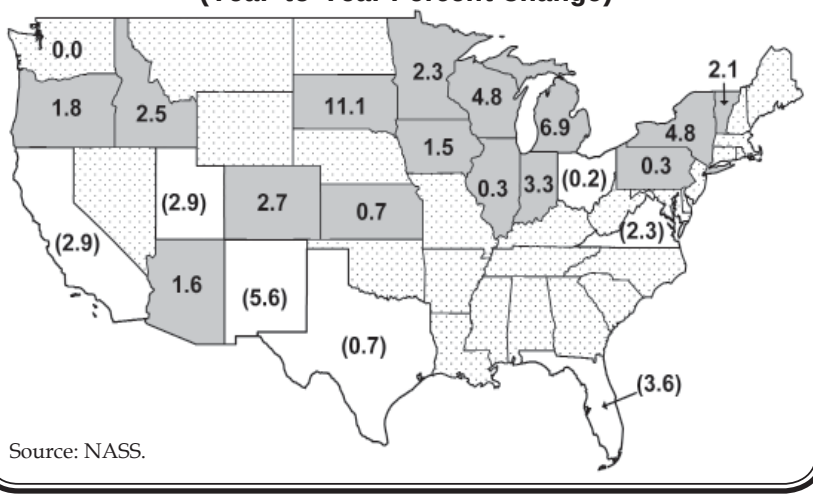


Northeast Pool Reflects Strong Production

During the first 5 months of 2016, total pooled milk receipts on the Northeast Order rose 3.4 percent from the same period in 2015. Comparatively, milk production in the National Agricultural Statistics Service (NASS) 23 selected states has risen by 1.1 percent. All data have been adjusted for leap year in 2016. This article focuses on the first 5 months of 2016, the most recent county data available.

Map 1

January–May 2016 Milk Production in Selected States (Year-to-Year Percent Change)



Source: NASS.

National Production

Map 1 shows year-to-year changes in milk production for the first 5 months of 2016 compared to the same months in 2015 for NASS 23 selected states. Of the top producing states, New York production grew by 4.8 percent, tied for third with Wisconsin. South Dakota and Michigan ranked ahead with 11.1 and 6.9 percent increases, respectively. Seven states had declines in production, including California, New Mexico, and Texas (first, seventh, and ninth ranked states by production).

Northeast Pool Volumes

During 2016, pooled milk on the Order has shown an increase over the same January through May period a year prior, setting record pool volume each of those months. Pooling does not necessarily reflect production as movements on and off the Order occur. Total combined production in the Northeast region's typical milk shed states (New England, New Jersey, New York, Pennsylvania, and some of the Middle Atlantic States) is up over last year by 2.7 percent. This increase is led by New York, up 5.8 percent. New England as a whole was up by 2.4 percent. Milk pooled from Pennsylvania was down 0.5 percent for the first five months of 2016. Maryland, Delaware, and New Jersey also declined.

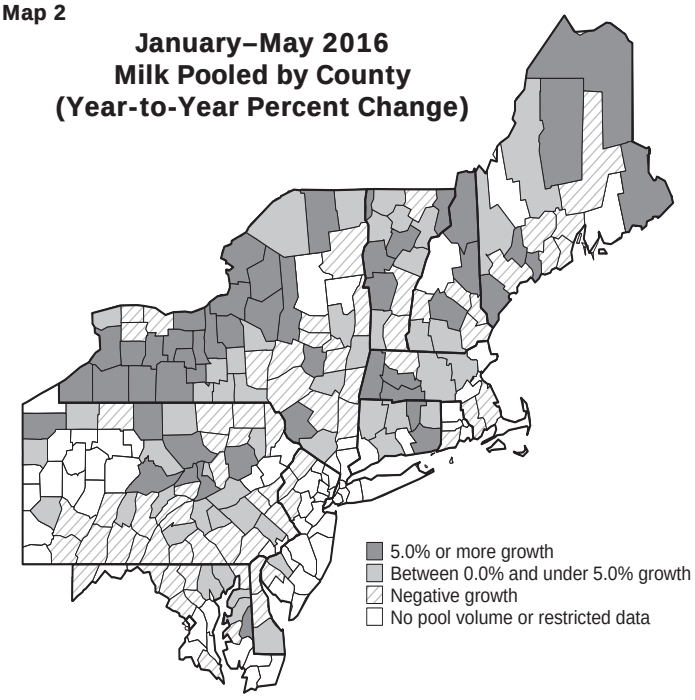
Contributions to Northeast by County

Within the Northeast milkshed, there are differences with respect to growing and shrinking contributions to the Northeast Order pool evident when looking at volume by county. Map 2 presents the percent change in milk pooled by county for the January through May period in 2016 versus the same period in 2015. Recalling the difference between milk produced in a county versus milk pooled on the Northeast Order from that county, some counties further west and south in the milkshed, in particular, may not correlate as closely with milk production in the county, since all the milk produced may not be pooled on the Northeast Order.

Of 173 counties depicted, 100 showed growth. Of those, 49 counties grew by 5 percent or more, and of those counties, 22 were in New York. When ranking the 49 counties that grew by 5 percent or more by pooled pounds, 19 of the top 22 by pool volume in this group are New York counties. These data show that growth in Northeast pool volumes is concentrated largely in western and west-central New York as well as Jefferson and Lewis counties, with some smaller pockets of growth in New England and Pennsylvania. The counties growing 5 percent or more in New York accounted for combined growth of 283 million pounds pooled, while the those counties with over 5 percent growth in Maine accounted for just 4 million additional pounds pooled.❖

Map 2

January–May 2016 Milk Pooled by County (Year-to-Year Percent Change)



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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	659,549,714	$8.82	58,172,284.77	
	Butterfat	14,389,700	2.4114	34,699,322.58	
Less:	Location Adjustment to Handlers			(2,465,644.38)	$90,405,962.99
Class II—	Butterfat	34,106,490	2.6034	88,792,836.10	
	Nonfat Solids	49,244,517	0.6967	34,308,654.98	123,101,491.08
Class III–	Butterfat	23,610,205	2.5964	61,301,536.27	
	Protein	17,705,023	1.9112	33,837,839.97	
	Other Solids	34,029,300	0.0774	2,633,867.82	97,773,244.06
Class IV–	Butterfat	12,180,553	2.5964	31,625,587.81	
	Nonfat Solids	40,349,128	0.6618	26,703,052.93	58,328,640.74
Total Classified Value					**$369,609,338.87**
Add:	Overage—All Classes				37,407.89
	Inventory Reclassification—All Classes				305,223.18
	Other Source Receipts	1,883,416 Pounds			37,362.48
Total Pool Value					**$369,989,332.42**
Less:	Producer Component Valuations @ Class III Component Prices				(360,163,432.72)
Total PPD Value Before Adjustments					**$9,825,899.70**
Add:	Location Adjustment to Producers				12,978,000.42
	One-half Unobligated Balance—Producer Settlement Fund				890,025.03
Less:	Producer Settlement Fund—Reserve				(1,127,706.70)
Total Pool Milk & PPD Value		2,302,675,354 Producer pounds			**$22,566,218.45**
	Producer Price Differential		**$0.98**		
	Statistical Uniform Price		**$16.22**		

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