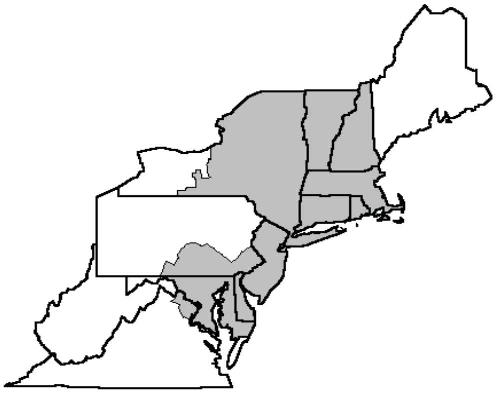

The Market Administrator's BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

February 2017 Federal Order No. 1

To contact the Northeast Marketing Area offices:
Boston, MA: phone (617) 737-7199, *Albany, NY*: phone (518) 452-4410, *Alexandria, VA*: phone (703) 549-7000;
e-mail address: Northeast Order@fedmilk1.com
website address: www.fmmone.com

February Pool Price Calculation

The February 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $17.77 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 $19.12 per cwt. The February statistical uniform price was 44 cents per cwt below the January price. The February producer price differential (PPD) at Suffolk County was $0.89 per cwt, a decrease of 55 cents per cwt from last month.

Product Prices Effect

During February, all commodity product prices decreased except dry whey that rose about 5 cents per pound. The butter price dropped 8 cents, nonfat dry milk declined 3 cents, and cheese had a slight decrease, all on a per pound basis. These changes resulted in a nearly 10-cent drop in the butterfat price and a 3-cent decline in the nonfat solids component prices. The other solids price increased about 5 cents and the protein price rose nearly 6 cents due to the lower butterfat price.

The Class I price declined 72 cents per cwt based off of lower prices in January. The Class II and III prices rose 16 cents and 11 cents per cwt, respectively. The Class IV price dropped 60 cents per cwt. Even though a higher proportion of total producer milk receipts was in the higher-priced classes, their total proportion declined and coupled with overall decline in prices resulted in a lower SUP. The spread between the classes also tightened, decreasing the PPD. Producers shipping to plants in the outer zones will see negative PPDs.

Highlights

The total volume of producer milk receipts continued to top the previous year for the same month, setting a new record high for February. In addition, February's daily delivery per producer set a new record for the Order. The Class I volume for February was below 700 million for the first time ever. The Class IV volume was the highest ever for February and the first time it exceeded 400 million pounds during the month. Both the average producer butterfat and other solids tests set new record highs for the month. The producer protein test tied with 2015 and 2016 as record high for February.❖

Pool Summary

- A total of 11,332 producers were pooled under the Order with an average daily delivery per producer of 6,772 pounds.
- Pooled milk receipts totaled 2.149 billion pounds, an increase of 1.2 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 31.5 percent of total milk receipts, a decrease of 1.1 percentage points from January.
- The average butterfat test of producer receipts was 3.92 percent.
- The average true protein test of producer receipts was 3.13 percent.
- The average other solids test of producer receipts was 5.76 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	31.5	676,879,230
Class II	23.9	514,004,604
Class III	25.0	537,592,051
Class IV	19.6	420,262,240
Total Pooled Milk		2,148,738,125

Producer Component Prices

	2017	2016
	$/lb	
Protein Price	2.2348	1.7389
Butterfat Price	2.4274	2.3778
Other Solids Price	0.2990	0.0492

Class Price Factors

	2017	2016
	$/cwt	
Class I	19.98	16.89
Class II	16.52	14.30
Class III	16.88	13.80
Class IV	15.59	13.49

U.S. Milk Production Increase Higher Than Last Year

With all the talk about abundant milk supplies, it is no surprise that the total milk production in the United States grew 1.6 percent in 2016, a higher rate than in 2015 (1.3 percent). All comparisons have been adjusted for the extra day in 2016 (leap year).

The increase in the top ten milk-producing states combined was even higher than the national average, as was the combined total for the top 23 milk-producing states reported by the National Agricultural Statistics Service (NASS). The accompanying table shows the top ten states ranked by their total 2016 production and comparisons to the top 23 states total and the U.S. total for production, cows, and milk production per cow (MPC).

Top Ten States Ranked by Milk Production, 2016

Rank	State	2015	2016	Percent Change#	2016 Cows	2016 MPC*#
		(million pounds)			(1,000 head)	(pounds)
1	California	40,897	40,469	(1.3)	1,762	22,905
2	Wisconsin	29,030	30,123	3.5	1,279	23,488
3	New York	14,094	14,765	4.5	620	23,749
4	Idaho	14,114	14,665	3.6	595	24,580
5	Michigan	10,261	10,876	5.7	419	25,886
6	Pennsylvania	10,800	10,820	(0.1)	529	20,398
7	Texas	10,301	10,773	4.3	475	22,618
8	Minnesota	9,462	9,666	1.9	461	20,910
9	New Mexico	7,831	7,711	(1.8)	315	24,412
10	Washington	6,606	6,650	0.4	276	24,028
	Top Ten Total	153,396	156,518	1.8	6,731	23,190
	Top 23 Total	195,462	199,362	1.7	8,655	22,971
	U.S. Total	208,597	212,436	1.6	9,328	22,712

Source: NASS, *Milk Production* * Milk Produced per Cow

Adjusted for leap year.

Top States-New York Regains Number 3 Spot

The top ten list contained the same states as in 2015 although the order has changed. New York finished 100 million pounds above and regained the number three spot from Idaho that held it in 2014 and 2015. Other changes in rank included Michigan, which reported the largest increase of the top-ten states, jumping from number 7 in 2015 to number 5 in 2016 and Pennsylvania and Texas each dropping down a level. Number one-ranked California reported a decline in production, as did Pennsylvania and New Mexico. The rest of the top ten had increases with Michigan, New York, Texas, Idaho, and Wisconsin all reporting over 3 percent growth.

Northeast Again Above National Average

Milk production in the Northeast milkshed (the area from which milk is traditionally pooled by handlers selling into the marketing area) increased 1.9 percent in 2016, above the U.S., top ten, and top 23 state averages. Strong growth occurred in New York (4.5 percent) and Maine (5.8 percent) and, to a lesser degree, in Connecticut (2.7 percent) and Vermont (1.9 percent). Combined production in the 3 top producing states in the milkshed (New York, Pennsylvania, and Vermont) rose 2.4 percent. Many of the states in the milkshed reported decreases.

Cow Numbers and Production per Cow

Nationally, the number of milk cows increased a slight 0.2 percent in 2016; in 2015, they rose 0.6 percent. Nineteen states showed declining cow numbers, 15 states reporting increases, and the remainder had no change. Of those with increasing cow numbers, five were in the top ten states. In the Northeast milkshed states, milk cow numbers declined a slight 0.2 percent. The combined total for New York, Pennsylvania, and Vermont was down a slight 0.1 percent from 2015; Pennsylvania dropped 0.2 percent; Vermont decreased 1.5 percent; and New York increased 0.3 percent.

Average MPC grew 1.4 percent nationally, up considerably from an increase of 0.6 percent in 2015. For the Northeast, the increase was 2.1 percent. The U.S. average milk per cow was 22,712 pounds in 2016; the average was 21,668 pounds in the Northeast states. New York's MPC (23,749 pounds) was above the national average. Only thirteen states had MPC greater than the national average; seven of them are in the top ten.❖

Market Services 2016 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 20,884 miles in 2016. The market service department checked 213 farm bulk tanks throughout the Northeast Marketing Area Milkshed during the 2016

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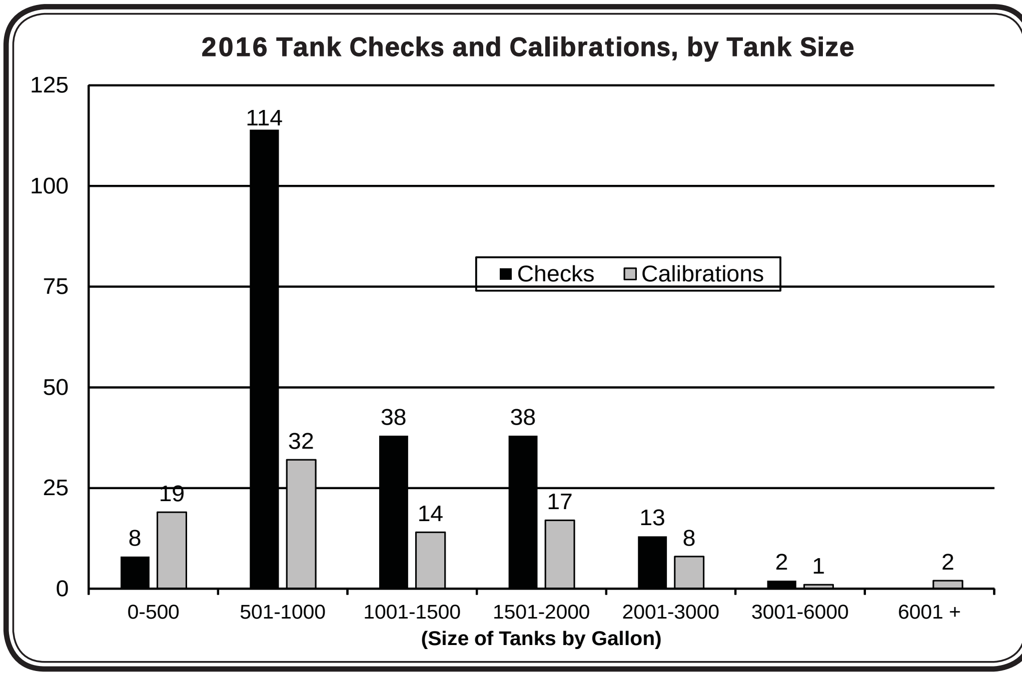
Market Services *(continued from page 2)*

season. Briefly, a tank check involves measuring the tank at about 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 then recalibrated. Depending on scheduling, recalibrations may be performed the same day or may be rescheduled for another day.



Checks/Calibration Results

Of the 213 tanks checked, 13 (6 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 93 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, 70 percent were 1,500 gallon tanks or smaller. The 213 checks and the 93 additional calibrations total at least 306 farm visits. A breakdown of checks and calibrations/recalibrations by tank size are shown in the accompanying table. A tentative schedule for the calibration trucks during the upcoming season is shown below.❖

Tentative Calibration Truck Schedule, 2017

Month	Area
April	Southern PA, Northern PA, Central NY
May	Finger Lakes Region NY, Eastern NY, Maine
June	Central PA, Eastern NY, VT and NH
July	Southern PA, Northern NY, Central NY
August	Western NY, Eastern NY
September	Central PA, Eastern NY, CT and RI
October	Southern PA, Central NY
November	Finger Lakes Region NY, Southern PA

California Market Order Recommended Decision Issued

On February 10, 2017, the USDA announced its recommended decision to establish a California Federal Milk Marketing Order (FMMO). The recommended decision was published in the Federal Register February 14, 2017, and a public inspection copy is available on the Federal Register's website. The recommended decision is based on the evidentiary record compiled from a public hearing held from September to November 2015.

The marketing area would incorporate the entire state of California. Where appropriate, the recommended California FMMO proposes adoption of uniform order provisions contained in the 10 current FMMOs. These uniform provisions include, but are not limited to, dairy product classification, end-product price formulas and the producer-handler definition. The proposed order would recognize the unique market structure of the California dairy industry through tailored performance-based standards to determine eligibility for pool participation. The proposed order provides for the recognition of producer quota as administered by the California Department of Food and Agriculture.

Comments on the recommended decision will be accepted for 90 days after the Federal Register publication (May 15, 2017). After analyzing and considering public comments, USDA will issue a final decision. More information, including the entire hearing record and Regulatory Economic Impact Analysis can be found at www.ams.usda.gov/caorder.❖

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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	663,120,664	$11.45	75,927,316.03	
	Butterfat	13,758,566	2.5517	35,107,732.86	
Less:	Location Adjustment to Handlers			(2,546,158.18)	$108,488,890.68
Class II—	Butterfat	29,197,182	2.4344	71,077,619.91	
	Nonfat Solids	44,829,227	0.9211	41,292,200.94	112,369,820.85
Class III–	Butterfat	23,493,413	2.4274	57,027,910.72	
	Protein	16,795,688	2.2348	37,535,003.54	
	Other Solids	30,825,704	0.2990	9,216,885.55	103,779,799.81
Class IV–	Butterfat	17,803,752	2.4274	43,216,827.61	
	Nonfat Solids	37,207,436	0.8166	30,383,592.22	73,600,419.83
Total Classified Value					**$398,238,931.17**
Add:	Overage—All Classes				104,531.28
	Inventory Reclassification—All Classes				2,345.17
	Other Source Receipts	258,401	Pounds		6,499.13
Total Pool Value					**$398,352,306.75**
Less:	Producer Component Valuations @ Class III Component Prices				(391,626,333.18)
Total PPD Value Before Adjustments					**$6,725,973.57**
Add:	Location Adjustment to Producers				12,130,241.21
	One-half Unobligated Balance—Producer Settlement Fund				1,168,741.67
Less:	Producer Settlement Fund—Reserve				(898,887.42)
Total Pool Milk & PPD Value		2,148,996,526	Producer pounds		**$19,126,069.03**
	Producer Price Differential		**$0.89**		
	Statistical Uniform Price		**$17.77**		

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