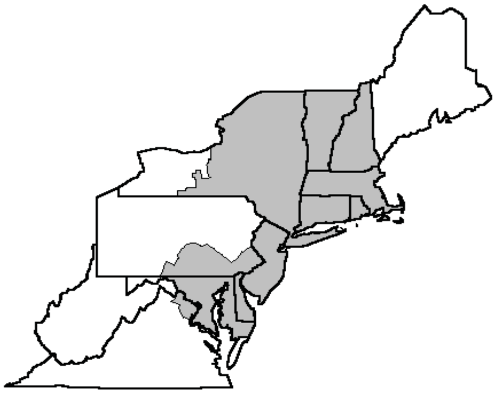

The Market Administrator's

BULLETIN

NORTHEAST MARKETING AREA

Erik F. Rasmussen, Market Administrator

December 2017 Federal Order No. 1

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December Pool Price Calculation

The December 2017 statistical uniform price (SUP) for the Northeast Marketing Area was announced at $16.71 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 $18.25 per hundredweight. The December statistical uniform price was 43 cents per hundredweight below the November price. The December producer price differential (PPD) at Suffolk County was $1.27 per hundredweight, an increase of $1.01 per hundredweight from last month.

Product Prices Effect

All commodity product prices declined from the previous month. Butter declined 5 cents, nonfat dry milk fell 3 cents, cheese dropped 11 cents, and dry whey decreased almost 6 cents, all on a per pound basis. These changes resulted in a 30-cent decrease in the protein price, a 3-cent decline in the nonfat solids price, and decreases of 6 cents in butterfat and other solids.

The Class I price in December was 47 cents higher than in November since it was based off of slightly higher prices that occurred in the middle of November. All other class prices decreased. Class II declined 83 cents, Class III fell $1.44, and Class IV dropped 48 cents, all on a hundredweight basis. The result was a lower SUP than in November. The PPD increased as the spread between the Class III price and the Class I price rose. All producers should receive a positive PPD.

Selected Statistics

The only two new pool statistic records set for the month of December were the average daily delivery per producer (DDP) and the average producer component butterfat test. The total volume of producer milk receipts, along with the volumes used in classes II and IV, reported second place rankings. See page 2 for a summary of statistical highlights for the entire year of 2017.❖

Pool Summary

- A total of 11,148 producers were pooled under the Order with an average daily delivery per producer of 6,540 pounds.
- Pooled milk receipts totaled 2.26 billion pounds, an increase of 0.3 percent from last month on an average daily basis.
- Class I usage (milk for bottling) accounted for 34.4 percent of total milk receipts, down 0.7 percentage points from November.
- The average butterfat test of producer receipts was 3.97 percent.
- The average true protein test of producer receipts was 3.17 percent.
- The average other solids test of producer receipts was 5.74 percent.❖

Class Utilization

Pooled Milk	Percent	Pounds
Class I	34.4	777,912,453
Class II	22.0	496,783,198
Class III	25.6	579,076,010
Class IV	18.0	406,447,241
Total Pooled Milk		2,260,218,902

Producer Component Prices

	2017	2016
	$/lb	
Protein Price	2.0378	2.6922
Butterfat Price	2.4951	2.3354
Other Solids Price	0.1070	0.2063

Class Price Factors

	2017	2016
	$/cwt	
Class I	20.13	20.13
Class II	14.49	15.26
Class III	15.44	17.40
Class IV	13.51	14.97

2017 Northeast Order Statistics Summarized

The volume of milk received from producers shipping to handlers regulated under the Northeast Order continued to grow during 2017 and set a new record high for the Order with 27.4 billion pounds, an increase of 1.7 percent from 2016. Total volume has been on an upward trajectory for the past eight years in a row.

The year ended with 158 fewer producers than at the end of 2016. This was less than the previous 5-year average decline of 309 producers per year. Annual average daily deliveries per producer (DDP) equaled 6,722 pounds, an increase of 4.4 percent from 2016 and a new record high. Even with a continued strong supply of milk and demand struggling to keep pace, prices improved from the previous year, averaging 9.7 percent higher than in 2016.

The accompanying table compares selected pool statistics for 2016 and 2017; all changes have been adjusted for leap year in 2016.

Northeast Order Pool Statistics, 2016–2017

Pool Statistics	2016	2017	2016-17 Change
	million pounds		percent
Class I	8,828.0	8,798.5	(0.1)
Class II	6,552.1	6,543.4	0.1
Class III	6,873.7	7,132.7	4.1
Class IV	4,753.4	4,921.9	3.8
Total	27,007.2	27,396.5	1.7
	pounds		
DDP	6,440	6,722	4.4
	utilization percentage		change
Class I	32.7	32.1	(0.6)
Class II	24.3	23.9	(0.4)
Class III	25.4	26.0	0.6
Class IV	17.6	18.0	0.4
	dollars/cwt		percent
Class I	18.05	19.70	9.1
Class II	14.35	16.04	11.8
Class III	14.87	16.17	8.7
Class IV	13.77	15.16	10.1
SUP	15.90	17.44	9.7
Producer Component:			
Tests:	percent		change
Butterfat	3.81	3.86	0.05
Protein	3.09	3.10	0.01
Other Solids	5.75	5.75	0.00
Prices:	dollars/lb		percent
Butterfat	2.3084	2.6143	13.3
Protein	2.0955	1.8682	(10.8)
Other Solids	0.0910	0.2519	176.8
Nonfat Solids	0.6548	0.6918	5.6

Class Utilization Changes

Class I utilization averaged 32.1 percent in 2017, a decrease of 0.6 percentage points from the previous year. Although the total volume of milk used in Class I continued to drop, its rate of decline appears to have leveled off. The volume in 2017 was only 29.5 million pounds less than in 2016, a decrease of only 0.1 percent. During 8 months of 2017, Class I volume surpassed the same month of the previous year. The total volume of producer receipts used in Class II declined slightly from 2016 (8.7 million pounds), but when adjusted for leap year was actually a slight increase of 0.1 percent (on a daily average basis). Overall, Class II utilization was 23.9 percent of total producer milk receipts, a decline of 0.4 percentage points as more milk went to classes III and IV.

Class III volume rose 4.1 percent and ended the year with the third largest total since the Order's inception; the only two years higher being 2001 and 2002. Utilization averaged 26.0 percent, up 0.6 percentage points from 2016. The amount of milk used in Class IV grew 3.8 percent and set a new record high for the Order. It accounted for an annual average of 18.0 percent utilization.

Prices Higher Than 2016

As previously mentioned, milk supplies again were plentiful during 2017. Butterfat demand was strong and reflected in record-high butter prices during the year. The National Dairy Products Sales Report (NDPSR) reported record-setting butter prices every month during 2017 except April and December. The year finished with a $2.3303 per pound average butter price, 12.2 percent higher than in 2016.

Cheese prices were slightly above last year and close to the average in 2015. NDPSR prices averaged $1.6344 per pound for 2017, up 1.8 percent from 2016. Nonfat dry milk prices started the year strong but fell considerably by year end. They averaged $0.8666 per pound in 2017, 4.5 percent higher than the previous year. Dry whey prices followed a similar pattern as nonfat dry milk, higher early in the year and weaker near the end, averaging the year at $0.4437 per pound, an increase of 54.3 percent from 2016.

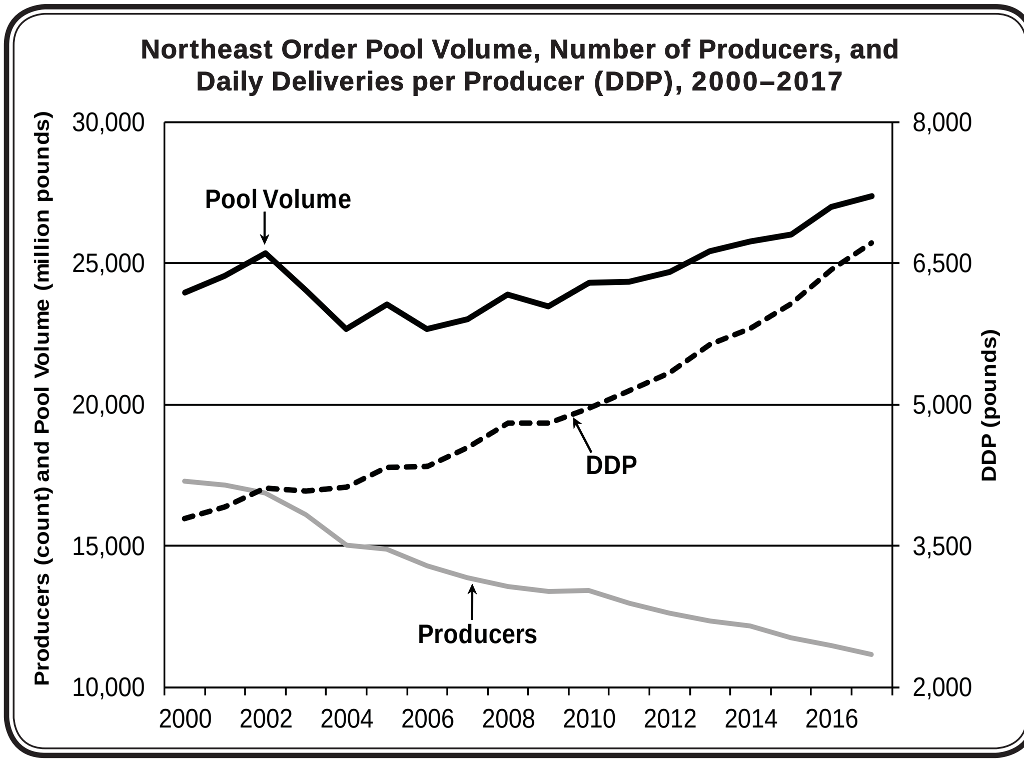
All component prices averaged above the previous year except protein, which was largely affected by the higher butterfat price that is part of the protein price formula. The price paid

(continued on page 3)

2017 Northeast Order *(continued from page 2)*

to producers for butterfat averaged $2.6143 per pound, up 13.3 percent from 2016 and the highest reported since the Order's inception in 2000. The per-pound annual average protein price was $1.8682 per pound, the second lowest in the Order's history, and a decline of 10.8 percent from 2016. The other solids price averaged $0.2519 per pound, a jump of 177 percent from the previous year. The nonfat solids price averaged $0.6918 per pound, 5.6 percent above the 2016 price.

For the most part, the higher component prices translated into higher class prices, which were about 9-12 percent above last year's. The Class I price averaged $19.70 per hundredweight in 2017, up 9.1 percent from the 2016 annual average. The Class II price averaged $16.04 per hundredweight, an increase of 11.8 percent from the previous year. The Class III price averaged $16.17, up 8.7 percent from 2016. The Class IV price rose to $15.16, a jump of 10.1 percent. Overall, the statistical uniform price (blend) reported at Suffolk County, Massachusetts (Boston) averaged $17.44 per hundredweight, 9.7 percent above the 2016 average.



Producer Tests

The annual average producer butterfat test equaled 3.86 percent in 2017, up 0.05 points from the previous year, setting a new Order record high. Records were set during 11 months and tied in one. The annual average producer protein test was 3.10 percent, up 0.01 point from 2016 and also a new record for the Order. The producer other solids test remained at the record-high average of 5.75 percent, unchanged from the past 2 previous years.❖

Pool Summary for All Federal Orders, January–December, 2016–2017

Federal Order Number	Federal Order Name	Total Producer Milk 2016	Total Producer Milk 2017	Change^	Producer Price Differential# 2016	Producer Price Differential# 2017	Statistical Uniform Price#* 2016	Statistical Uniform Price#* 2017
		pounds	pounds	percent	dollars per hundredweight			
1	**Northeast**	**27,007,191,866**	**27,396,555,819**	**1.7**	**1.03**	**1.26**	**15.90**	**17.44**
5	Appalachian	5,595,157,423	5,801,007,337	4.0	N/A	N/A	17.09	18.79
6	Florida	2,714,073,908	2,602,265,099	(3.8)	N/A	N/A	19.23	20.91
7	Southeast	5,389,646,521	5,451,402,443	1.4	N/A	N/A	17.55	19.15
30	Upper Midwest	32,817,621,049	32,311,866,428	(1.3)	0.05	0.13	14.91	16.30
32	Central	15,088,319,343	15,879,252,633	5.5	0.05	0.17	14.92	16.34
33	Mideast	19,655,419,521	20,241,147,953	3.3	0.17	0.39	15.03	16.57
124	Pacific Northwest	7,882,929,743	7,660,879,854	(2.5)	(0.19)	(0.02)	14.67	16.16
126	Southwest	12,717,094,999	13,092,462,779	3.2	0.88	0.97	15.75	17.14
131	Arizona	4,979,072,172	5,064,797,810	2.0	N/A	N/A	14.99	16.40
	All Market Total/Average	133,846,526,545	135,501,638,155	1.5	0.33	0.48	16.00	17.52

Price at designated order location. * Price at 3.5% butterfat. N/A = Not applicable.
^ Adjusted for leap year in 2016.

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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	760,537,560	$11.55	87,842,088.18	
	Butterfat	17,374,893	2.5660	44,583,975.44	
Less:	Location Adjustment to Handlers			(2,904,406.51)	$129,521,657.11
Class II—	Butterfat	29,977,161	2.5021	75,005,854.52	
	Nonfat Solids	43,304,376	0.6600	28,580,888.16	103,586,742.68
Class III–	Butterfat	26,730,277	2.4951	66,694,714.13	
	Protein	18,320,589	2.0378	37,333,696.28	
	Other Solids	32,997,717	0.1070	3,530,755.72	107,559,166.13
Class IV–	Butterfat	15,643,961	2.4951	39,033,247.10	
	Nonfat Solids	36,291,641	0.5503	19,971,290.04	59,004,537.14
Total Classified Value					**$399,672,103.06**
Add:	Overage—All Classes				207,280.04
	Inventory Reclassification—All Classes				59,124.87
	Other Source Receipts	736,185	Pounds		31,345.96
Total Pool Value					**$399,969,853.93**
Less:	Producer Component Valuations @ Class III Component Prices				(383,864,563.74)
Total PPD Value Before Adjustments					**$16,105,290.19**
Add:	Location Adjustment to Producers				12,637,032.44
	One-half Unobligated Balance—Producer Settlement Fund				888,713.39
Less:	Producer Settlement Fund—Reserve				(916,906.37)
Total Pool Milk & PPD Value		2,260,955,087	Producer pounds		**$28,714,129.65**
	Producer Price Differential		**$1.27**		
	Statistical Uniform Price		**$16.71**		

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